KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

ANNUAL REPORT 2014

(Stock Code : 180)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Kenneth Ting Woo-shou *SBS, JP (Chairman and Managing Director)*
Nancy Ting Wang Wan-sun

Non-executive Directors:
Ivan Ting Tien-li
Moses Cheng Mo-chi *GBS, OBE, JP*
Liu Chee-ming
Bernie Ting Wai-cheung

Independent Non-executive Directors:
Floyd Chan Tsoi-yin
Andrew Yao Cho-fai *JP*
Desmond Chum Kwan-yue
Ronald Montalto

COMPANY SECRETARY

Lao Wai-keung

AUDIT COMMITTEE

Desmond Chum Kwan-yue *(Chairman)*
(Independent Non-executive Director)
Liu Chee-ming
(Non-executive Director)
Moses Cheng Mo-chi
(Non-executive Director)
Floyd Chan Tsoi-yin
(Independent Non-executive Director)
Andrew Yao Cho-fai
(Independent Non-executive Director)

REMUNERATION COMMITTEE

Andrew Yao Cho-fai *(Chairman)*
(Independent Non-executive Director)
Kenneth Ting Woo-shou
(Executive Director)
Floyd Chan Tsoi-yin
(Independent Non-executive Director)

NOMINATION COMMITTEE

Kenneth Ting Woo-shou *(Chairman)*
(Executive Director)
Floyd Chan Tsoi-yin
(Independent Non-executive Director)
Desmond Chum Kwan-yue
(Independent Non-executive Director)

AUTHORISED REPRESENTATIVES

Kenneth Ting Woo-shou
Ivan Ting Tien-li

SOLICITORS

P.C. Woo & Co.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL BANKERS

China CITIC Bank International Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited

INDEPENDENT AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL REGISTRARS

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

I present to our shareholders the annual report of Kader Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

On behalf of the Board of Directors (the "Board") of the Company, the Group's turnover for the financial year ended 31 December 2014 amounted to approximately HK$825.23 million, representing a decrease of approximately 11.05% over that reported last year. However, there was a profit from operations for 2014 amounted to approximately HK$4.28 million as compared to the loss from operations of approximately HK$60.98 million for 2013. The Group's profit attributable to shareholders for the financial year ended 31 December 2014 was approximately HK$145.84 million, which included valuation gains on investment properties amounting to approximately HK$156.86 million, as compared to last year's profit attributable to shareholders of approximately HK$50.93 million which included valuation gains on investment properties of approximately HK$129.06 million.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK$Nil).

After a few years of turbulence, a more stable global economic environment was seen in 2014, but uncertainties still existed. To cope with the sluggish macroeconomic environment, the Group adopted a strategy to sustain stable business growth. The Group continued to enhance the development of its core business through strategic restructuring plans. Apart from streamlining the business structure and workforce to enhance overall efficiency, we have consolidated our production plants in Mainland China to reduce the cost pressure. As a result, the Group achieved a turnaround from loss from operations of approximately HK$60.98 million in 2013 to profit from operations of approximately HK$4.28 million in 2014.

The Group will dedicate effort to capture opportunities to steadily develop its core businesses, including building relationships with new customers to enlarge customer base in the toys and model train business, building up sales channels, developing own brand products and exploring sales opportunities in the global market. Thus, the Group is confident that it can sustain growth in the long run and strengthen its leading position in the industry. It will enhance the Group's sources of revenue and profitability, and ultimately create greater returns for our shareholders in the future.

On 12 December 2013, the Company proposed to raise approximately HK$108.40 million before expenses by way of the rights issue. The rights issue involved the issue of 285,176,397 rights shares at the subscription price of HK$0.38 per rights share on the basis of three rights shares for every seven existing shares. The rights issue was over-subscribed and was completed on 29 January 2014. It is in the interests of the Group and the shareholders as a whole to strengthen the Group's financial position and to enlarge its capital base, which will allow all shareholders the opportunity to participate in further development of the Group.

On behalf of the Board, I would like to take this opportunity to express my appreciation to all employees who devoted themselves to the Group during the past year. Their contributions are unfailing and most instrumental to the continued viability of the Group. In addition, I take this opportunity to extend our gratitude to our customers, suppliers, business partners and shareholders for their steadfast support of the Group.

Kenneth Ting Woo-shou
Chairman

Hong Kong, 31 March 2015

Management Discussion and Analysis

RESULTS

The Board announces that the Group's turnover for the financial year ended 31 December 2014 amounted to approximately HK$825.23 million, representing a decrease of approximately 11.05% over that reported last year. However, there was a profit from operations for 2014 amounted to approximately HK$4.28 million as compared to the loss from operations of approximately HK$60.98 million for 2013. The Group's profit attributable to shareholders for the financial year ended 31 December 2014 was approximately HK$145.84 million, which included valuation gains on investment properties amounting to approximately HK$156.86 million, as compared to last year's profit attributable to shareholders of approximately HK$50.93 million which included valuation gains on investment properties of approximately HK$129.06 million.

BUSINESS REVIEW

The global economy continued its long cyclical recovery from recession during the year. The weakness of Europe and the United States ("US") still affected the overall performance of the toys industry. While uncertainties and risks remain in the operating environment for manufacturing industry, the Group implemented various measures to enhance its productivity and efficiency, including consolidating the production plants in Mainland China to alleviate the cost pressures, streamlining its working process, strengthening its cost control measures so as to ensure steady development of the business. The Group achieved an improvement in its business from loss from operations of approximately HK$60.98 million for 2013 to profit from operations of approximately HK$4.28 million for 2014. The Group remained optimistic about the business growth in the long run.

Toys and Model Trains

For the financial year ended 31 December 2014, the turnover for the Group's OEM/ODM toys business and model trains were approximately HK$321.85 million and HK$462.30 million respectively, representing a decrease of approximately 4.88% and approximately 16.69% respectively as compared to last year.

The weakness of Europe and the US affected the sentiment of the ultimate customers and compressed the business of the toys and model trains. The shortage of labour and high wages also affected the Group's performance.

Nevertheless, the Group will continue to manufacture high quality products with competitive prices and adhere to and fully support the Code of Business Practice of the International Council of Toy Industries ("ICTI").

The Group is proud to announce that during the year 2014, our subsidiary, Bachmann Europe Plc. has received the 2013 overall "Manufacturer of the Year" award for six continuous years from the RM Web – Model Rail – MRE Mag competition.

Property Investment

For the financial year ended 31 December 2014, the Group's rental income amounted to approximately HK$41.08 million, representing an increase of approximately 19.21% over the previous year. In addition, the Group recorded valuation gains of approximately HK$156.86 million on its investment properties for the year, as compared to last year's valuation gains of approximately HK$129.06 million.

During the year under review, the occupancy rate of its investment properties is above 97%.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2014, the Group's net asset value per share was approximately HK$1.67 (2013: approximately HK$2.03). The Group had net current liabilities of approximately HK$94.06 million (2013: approximately HK$197.99 million). Total bank borrowings were approximately HK$556.77 million (2013: approximately HK$540.91 million) while the Group secured total banking facilities of approximately HK$801.17 million (2013: approximately HK$650.24 million). Included in total bank borrowings were revolving loans of approximately HK$400.00 million (2013: approximately HK$351.00 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total bank borrowings compared to the total equity, was approximately 35.03% (2013: approximately 39.98%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks to increase the banking facilities for working capital needs, if necessary.

Capital Structure

On 12 December 2013, the Company proposed to raise approximately HK$108.40 million before expenses by way of the rights issue. The rights issue involved the issue of 285,176,397 rights shares at the subscription price of HK$0.38 per rights share on the basis of three rights shares for every seven existing shares. The rights issue was completed on 29 January 2014. Details of these were set out in the announcement and the prospectus issued by the Company on 12 December 2013 and 7 January 2014 respectively.

Management Discussion and Analysis *(Continued)*

The net proceeds from the rights issue were approximately HK$103.70 million and were applied by the Group for certain purposes as follows:

	Use of proceeds per the circular dated 7 January 2014 *HK$'million*	Actual use of proceeds up to 31 December 2014 *HK$'million*
(1) Repayment of bank borrowings	25.92	25.92
(2) Upgrade of the facilities	5.19	5.19
(3) Investment of future opportunities	10.37	–
(4) General working capital purposes	62.22	62.22
	103.70	93.33

Charges on Group Assets

As at 31 December 2014, investment properties, certain leasehold land and buildings, inventories and other assets of the Group with a net book value of approximately HK$1,779.51 million (2013: approximately HK$1,577.50 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the year ended 31 December 2014.

Exchange Rate Exposure

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

Contingent Liabilities

The Inland Revenue Department of Hong Kong ("IRD") has been conducting a review of the operations of certain subsidiaries of the Company in relation to the years since 2004, focusing on certain sales and purchases transactions and intra-group service arrangements amongst these subsidiaries. Certain subsidiaries of the Company received additional or estimated assessments from the IRD in respect of the years of assessment from 2004/05 to 2008/09. The taxes demanded under the additional or estimated assessments amounted to HK$24,226,833 in aggregate. The relevant subsidiaries have submitted objections against the additional or estimated assessments from the IRD.

During 2014, the relevant subsidiaries have submitted the required information to the IRD and provided justifications for the tax treatment adopted. Having taken the advice from the Group's tax advisor and on an entirely without prejudice basis, the Group submitted a settlement proposal in March 2015 to the IRD in order to expedite the finalisation of the review. In this regard, the directors of the Company had made a provision of HK$3.50 million in the consolidated financial statements for the year ended 31 December 2014. Owing to the uncertainty inherent in IRD enquiries of this nature, the conclusion to be made by the IRD may result in an impact to the Group's Hong Kong Profits Tax provision in the period in which conclusion is made.

Except for the above, the Group did not have any significant contingent liabilities.

Litigation

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

The plaintiff has sought to enforce the Judgement in the courts of Hong Kong, England and Wales, and Bermuda. The Company and the plaintiff subsequently entered into negotiations for the full and final settlement and disposal of all proceedings relating to the enforcement of the Judgement. Agreement was reached in May 2014 and the Company made the payment of HK$91,356,000 to the plaintiff to settle the case completely. A charge of HK$5,111,000, in addition to the provisions already made in prior years, was recognised and included in "Other operating expenses" in the consolidated income statement for the year ended 31 December 2014.

Management Discussion and Analysis *(Continued)*

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed 3,526 (2013: 5,590) full time management, administrative and production staff in Hong Kong Special Administrative Region, Mainland China, the US and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

Given the signs of a gradual recovery of the global economy including the US and Europe, implementation of strategic restructuring plans and devoted management team, the Group is optimistic about its prospects in the near future and confident of providing long-term sustainable growth for the benefit of the Group and its shareholders as a whole.

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

Hong Kong, 31 March 2015

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance to enhance corporate performance and accountability. The Board regularly reviews and adopts corporate governance guidelines and developments. The Board believes that good corporate governance will in the long term serve to enhance shareholders' value.

CORPORATE GOVERNANCE

The Board sets its corporate governance procedure and duties pursuant to the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and it accordingly reviews and monitors the training and continuous development in profession of directors and senior management and its policies and practices in compliance with relevant laws and regulatory requirements. Throughout the year ended 31 December 2014, the Group has complied with all code provisions set out in the CG Code, except for the deviation from CG Code A.2.1 as described below:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company's directors and relevant employees who are or may be in possession of unpublished inside information. Based on specific enquiries made, all directors have confirmed that they have complied with the Model Code throughout the year.

BOARD OF DIRECTORS

The Board currently comprises two Executive Directors (including the Chairman and Managing Director of the Company), four Non-executive Directors and four INEDs. The biographical details of all directors of the Company, including the relationship amongst them, are set out on pages 20 to 24 of this annual report.

Mr. Kenneth Ting Woo-shou currently holds the offices of Chairman and Managing Director of the Company. The Board believes that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Corporate Governance Report *(Continued)*

Non-executive Directors and INEDs are selected with the necessary skills and experience to provide a strong independent element on the Board and to exercise independent judgement. All Non-executive Directors and INEDs are engaged on a term of service of two years renewable for another two years upon expiry. The Board believes the Non-executive Directors and INEDs are well qualified and competent in advising the Group on business strategies, finance and management issues. The INEDs are explicitly identified in all corporate communications, and one of them has significant accounting and financial expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each INED a written annual confirmation of independence. All the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

All directors are subject to re-election by shareholders at the annual general meeting following their appointment and at least every three years on a rotational basis. Where vacancies exist on the Board, candidates are proposed and put forward to the Board for consideration and approval. In accordance with the Company's Bye-laws, all newly appointed directors shall hold office until the next following annual general meeting of the Company after their appointment and shall then be eligible for re-election.

Upon their appointment, the new directors receive a package of orientation materials and attend extensive presentations given by senior executives to review the Group's businesses and to understand the statutory and regulatory obligations of a director of a listed company. Development and training of directors is an ongoing process so that they can perform their duties appropriately. The Group continuously updates directors on the latest changes in the commercial environment and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All directors are encouraged to attend relevant training courses at the Company's expense. Pursuant to CG Code A.6.5, directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, all directors, namely Mr. Kenneth Ting Woo-shou, Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li, Dr. Moses Cheng Mo-chi, Mr. Liu Chee-ming, Mr. Bernie Ting Wai-cheung, Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, Mr. Desmond Chum Kwan-yue and Mr. Ronald Montalto, have participated in appropriate continuous professional development activities by ways of attending trainings or reading materials relevant to the Company's business or the directors' duties and responsibilities.

During the year, the Company has arranged for the renewal of an insurance policy on directors' and officers' liability to ensure our directors and senior management are protected from any liability arising from the performance of their duties.

The Board is responsible for setting the strategic direction and policies of the Group and supervising management. The functions normally reserved for the Board are the monitoring and approving material transactions; steering the Group on strategic direction; setting up a Board committee for issues the Board deems appropriate; reviewing and approving the interim and final results; overseeing the effectiveness of the internal control system; evaluating major corporate, strategic and operational issues that have a significant impact on the Group; and evaluating major investment opportunities which management has not already identified and/or, if the investment is so material, requires the Board to make a decision.

The Board meets regularly, and at least four times a year. During scheduled meetings, senior management of the Group provides information to the directors on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held. In addition, directors have full access to information of the Group and obtain independent professional advice whenever deemed necessary. The Company Secretary is responsible for communications with Board members.

The attendance records of individual members of the Board and other Board Committees during the financial year are set out below:

	Number of meetings attended/held				
	Board Meeting	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Number of meetings held	**4**	**2**	**1**	**1**	**1**
Executive Directors					
Mr. Kenneth Ting Woo-shou *(Chairman, Managing Director & Nomination Committee Chairman)*	4/4	–	1/1	1/1	1/1
Mrs. Nancy Ting Wang Wan-sun	2/4	–	–	–	0/1
Non-executive Directors					
Mr. Ivan Ting Tien-li	4/4	–	–	–	1/1
Dr. Moses Cheng Mo-chi	4/4	1/2	–	–	0/1
Mr. Liu Chee-ming	4/4	1/2	–	–	1/1
Mr. Bernie Ting Wai-cheung	4/4	–	–	–	1/1
Independent Non-executive Directors					
Mr. Floyd Chan Tsoi-yin	4/4	2/2	1/1	1/1	0/1
Mr. Andrew Yao Cho-fai *(Remuneration Committee Chairman)*	4/4	1/2	1/1	–	0/1
Mr. Desmond Chum Kwan-yue *(Audit Committee Chairman)*	3/4	2/2	–	1/1	0/1
Mr. Ronald Montalto	3/4	–	–	–	0/1

Corporate Governance Report *(Continued)*

BOARD COMMITTEES

The Board established a Committee of Executive Directors in July 2006 with delegated authority for dealing with the various miscellaneous banking matters of the Company. This committee comprises all the Executive Directors of the Company.

The Company also established the Remuneration Committee and the Audit Committee to deal with specific matters in the interest of all shareholders in an objective manner. Members of these two Board Committees comprise, except for the member of the Remuneration Committee, entirely of Non-executive Directors or INEDs.

In addition, the Company established the Nomination Committee for reviewing the Board composition and identifying and nominating candidates for appointment to the Board. Members of the Nomination Committee comprise, except for the Chairman of the Committee, entirely of INEDs.

Remuneration Committee

The Remuneration Committee was established in 2005 with written Terms of Reference posted on the Company's website. Currently, the Remuneration Committee is chaired by Mr. Andrew Yao Cho-fai. Other members of the Committee are Mr. Kenneth Ting Woo-shou and Mr. Floyd Chan Tsoi-yin. The Remuneration Committee met once during the year to review and approve directors' remuneration.

The role and function of the Committee is to make recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Before determining remuneration packages, the Remuneration Committee is responsible for reviewing all relevant remuneration data and market conditions in addition to considering the performance and responsibility of individual directors as well as the profitability of the Group. The primary objective is to retain and motivate directors by linking their compensation with performance and measuring it against corporate goals. However, no director can approve his or her own remuneration.

The emoluments of each of the directors of the Company for 2014 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee was established in 1999 with written Terms of Reference posted on the Company's website. The Audit Committee comprises three INEDs and two Non-executive Directors. All committee members have appropriate industry and/or financial experience to perform their role in the business of the Audit Committee. Currently, the Committee is chaired by Mr. Desmond Chum Kwan-yue and the other members of the Committee are Mr. Liu Chee-ming, Dr. Moses Cheng Mo-chi, Mr. Floyd Chan Tsoi-yin and Mr. Andrew Yao Cho-fai.

The Audit Committee held two meetings during the year. During the year under review, the Audit Committee has met with management to review the interim and annual financial statements and to consider key accounting policies, and discussed with management the Group's internal controls and auditing and financial reporting matters.

Under its Terms of Reference, the duties of the Audit Committee, amongst other things, shall be to oversee the relationship with the external auditors, to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to consider any questions of resignation or dismissal of that auditor, and to review with senior management and external auditors the accounting principles and practices adopted, the Listing Rules and statutory compliance, internal control, related party transactions, risk management and financial reporting matters, including interim and annual financial statements and to provide recommendations to the Board.

In discharging their responsibilities in the review of the Group's financial results and the other duties, the Audit Committee members would monitor the integrity of management in preparing the financial statements and review significant financial reporting judgements contained in the financial statements. In this regard, in reviewing the financial statements in the annual report and the interim report, before submission to the Board, the Audit Committee focuses on:

1. Any changes in accounting policies and practices;

2. Major judgemental areas;

3. Significant adjustments resulting from audit;

4. The going concern assumptions and any qualifications;

5. Compliance with accounting standards;

6. Compliance with the Listing Rules and other legal requirements in relation to financial reporting; and

7. Any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give due consideration to any matters that have been raised by senior management.

The Audit Committee also discusses issues and reservations arising from the audit work performed, and any matters the auditors may wish to discuss (in the absence of management where necessary).

Corporate Governance Report *(Continued)*

In discharging their responsibilities on internal control procedures, the Audit Committee performed an annual review of the internal control system on Compliance, Operational Control, Financial Control, and Risk Management which included:

1. Reviewing the financial controls, internal control and risk management systems;

2. Discussing with management the system of internal control to ensure that management has performed its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function;

3. Considering any findings of major investigations on internal control matters as delegated by the Board or on its own initiative and management's response;

4. Reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

5. Reviewing any significant observations raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

6. Ensuring that the Board provided a timely response to the observations raised by the external auditor; and

7. Reporting to the Board on these matters as deemed appropriate.

Nomination Committee

The Company established the Nomination Committee with written Terms of Reference posted on the Company's website. Currently, the Nomination Committee is chaired by Mr. Kenneth Ting Woo-shou. Other members of the Committee are Mr. Floyd Chan Tsoi-yin and Mr. Desmond Chum Kwan-yue. The Nomination Committee shall meet at least once a year.

The duties of the Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement corporate strategy; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; (iii) assess the independence of INEDs; and (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive.

The Company has formulated the Board Diversity Policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

AUDITORS' REMUNERATION

Each year, the auditors are appointed at the Annual General Meeting ("AGM") and at the AGM held on 4 June 2014, directors were authorised to fix the auditors' remuneration for auditing services rendered.

The fees for audit and audit related services provided by the Group's auditors, KPMG, for the year ended 31 December 2014 are as follows:

Service rendered	**Fees paid/payable**
	HK$'000
Audit services	2,585
Tax services	497
	3,082

In addition, certain subsidiaries were audited by other auditors for the year ended 31 December 2014 and the related fees amounted to HK$1,435,000.

Save as disclosed above, the auditors have not so far provided any significant non-auditing services. Should any non-auditing services be considered to be conducted by our auditors, the Audit Committee would consider these proposals based on the policy developed by them in this regard, and would then make recommendations to the Board.

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibilities to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group. The directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and all applicable disclosure provisions of the Listing Rules. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Corporate Governance Report *(Continued)*

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The responsibility of the auditors with respect to the financial statements is set out in the Independent Auditor's Report on pages 29 and 30 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for the Group's system of internal control and for the assessment and management of risk. The directors have conducted an annual review of the effectiveness of the Group's system of financial and non-financial controls.

In meeting its responsibilities the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk.

The Company has not appointed an internal auditor. Meanwhile, clear policies and procedures are well defined in written internal control manuals on compliance, operational control, financial control and risk management. The written internal control manuals have been tabled before and acknowledged by the Board. The policies and processes adopted for the implementation of risk management are monitored and reviewed regularly by appropriate senior management so as to ensure that the above-mentioned categories of risks are effectively managed.

The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies. Business plans and budgets are prepared annually by management of each business unit and subject to review and approval by the Executive Directors. The Executive Directors and senior management are responsible for monitoring activities including the review and approval of business strategies, budgets, and plans, and the setting of key business performance targets. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. These are reported to the Board at its regular meetings. The Board has, in compliance with the guidelines of the CG Code, commenced a comprehensive review on the effectiveness of the system of internal control, and the Operational and Internal Control Manuals of the Company. The Board is not aware of any deficiencies or major issues of concern in the internal control system of the Company.

Periodical management and operational meetings were held with the executive management teams and senior management of business operations to review business performance against budgets and forecasts.

Currently, appropriate insurance coverage has been arranged to minimise the financial impact of relevant risks that may be encountered.

INVESTOR RELATIONS

The Group endeavours to continue maintaining a high level of transparency in communicating with shareholders and investors. The Group is committed to maintain two-way communications with shareholders and investors and to update shareholders and investors on relevant information in its business in a timely manner subject to the relevant regulatory requirements.

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. This provides opportunities for shareholders and investors to raise their queries and share their views with our directors and/or senior management. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the principal place of business a written request for such general meetings together with the proposed agenda items. At any general meeting a resolution put to the vote of the meeting must be taken by poll.

The Group maintains a corporate website at www.kaderholdings.com which enables shareholders and investors to track the Group's latest developments. This acts as an effective medium for information disclosure, and provides comprehensive and update information on the Group's operations, announcements, circulars, notices, as well as interim and annual reports. During the year, there is no substantial change in the Memorandum of Association and Bye-laws of the Company.

As at 31 December 2014, the Company had 950,587,991 shares in issue, with a par value of HK$0.10 each. Interests of the directors and chief executives in the shares of the Company are disclosed in the Report of the Directors set out on pages 24 to 27 of the annual report.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The Company is incorporated in Bermuda under the Bermuda Companies Act 1981 with limited liability. The principal activity of the Company is investment holding.

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

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2014 are set out on pages 116 to 117 of the annual report.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 31 to 117.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 119 to 120 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28(c) to the financial statements.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of approximately HK$145,840,000 (2013: approximately HK$50,930,000) have been transferred to reserves. Other movements in reserves during the year are set out in the consolidated statement of changes in equity.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK$Nil).

DONATIONS

Donations made by the Group during the year for charitable and other purposes amounted to approximately HK$317,000 (2013: HK$274,000).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 12 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2014 are set out in note 22 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 33 to the financial statements.

PROPERTY

Particulars of the property of the Group are shown on page 118 of the annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales attributable to the Group's largest suppliers and customers are as follows:

	2014	2013
	%	%
Purchases		
– the largest supplier	**19**	8
– five largest suppliers combined	**41**	28
Sales		
– the largest customer	**37**	32
– five largest customers combined	**50**	49

None of the directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest at any time during the year in the above customers or suppliers.

Report of the Directors *(Continued)*

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2014 are set out in note 34 to the financial statements.

DIRECTORS

The Board during the financial year and up to the date of this report were:

Executive Directors:
Kenneth Ting Woo-shou *(Chairman and Managing Director)*
Nancy Ting Wang Wan-sun

Non-executive Directors:
Ivan Ting Tien-li
Moses Cheng Mo-chi
Liu Chee-ming
Bernie Ting Wai-cheung

Independent Non-executive Directors:
Floyd Chan Tsoi-yin
Andrew Yao Cho-fai
Desmond Chum Kwan-yue
Ronald Montalto

The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers its INEDs to be independent. Members of the Board clearly understand their responsibility and obligations.

Mrs. Nancy Ting Wang Wan-sun, Mr. Ivan Ting Tien-li, Dr. Moses Cheng Mo-chi and Mr. Desmond Chum Kwan-yue shall retire by rotation in accordance with the Company's Bye-laws 109(A) and 189(ix), and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Chairman and Managing Director

Mr. Kenneth Ting Woo-shou, SBS, JP, aged 72, was reappointed as the Managing Director of the Company in July 2012. He was appointed as the Chairman of the Company and resigned as the Managing Director of the Company in July 2010. He has been the Managing Director of the Company since its incorporation in 1989. He has been a director of Kader Industrial Company Limited since 1971 and was appointed as the Chairman in 1993. He was appointed as an Independent Non-executive Director of Cheuk Nang (Holdings) Limited in November 2012. He is also an Independent Non-executive Director of Wheelock and Company Limited.

Mr. Ting currently serves as the Honorary President of HK Wuxi Trade Association Limited, Federation of Hong Kong Industries, The Chinese Manufacturers' Association of Hong Kong and The Toys Manufacturers' Association of Hong Kong Limited, and the Honorary Life President of the Hong Kong Plastics Manufacturers' Association Limited.

He also serves as a member of a number of other trade organisations and public committees such as The Hong Kong General Chamber of Commerce. He is Life Honorary Court Member of The Hong Kong University of Science and Technology. He also serves as member of the Jiangsu Provincial Committee of Chinese People's Political Consultative Conference.

Mr. Ting is a director of H.C. Ting's Holdings Limited which is a substantial shareholder of the Company. He is the father of Mr. Ivan Ting Tien-li, the Non-executive Director of the Company, husband of Mrs. Nancy Ting Wang Wan-sun, the Executive Director of the Company, and uncle of Mr. Bernie Ting Wai-cheung, the Non-executive Director of the Company.

Executive Director

Mrs. Nancy Ting Wang Wan-sun, aged 67, was appointed as a Non-executive Director of the Company in January 2008, and was redesignated as an Executive Director of the Company in February 2009. She has been an Executive Director of Kader Industrial Company Limited since 2001. Mrs. Ting has not held any directorship in other listed public companies in the last three years. She is the wife of Mr. Kenneth Ting Woo-shou, the Chairman and Managing Director of the Company, mother of Mr. Ivan Ting Tien-li, the Non-executive Director of the Company, and auntie of Mr. Bernie Ting Wai-cheung, the Non-executive Director of the Company.

Non-executive Directors

Mr. Ivan Ting Tien-li, aged 39, was appointed as the Managing Director of the Company in July 2010 and stepped down in July 2012. He remains as a Non-executive Director of the Company. He was appointed as an Executive Director of the Company in April 2006. He holds a Bachelor's Degree in International Politics and Economics. He has been an Executive Director of Kader Industrial Company Limited since 1998. Apart from this, he also serves as director of certain other subsidiaries of the Company. Mr. Ting currently serves as the Chairman of the Hong Kong Exporters' Association. He is the son of Mr. Kenneth Ting Woo-shou, the Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, the Executive Director of the Company, and the cousin of Mr. Bernie Ting Wai-cheung, the Non-executive Director of the Company.

Dr. Moses Cheng Mo-chi, GBS, OBE, JP, aged 65, was appointed as an Independent Non-executive Director of the Company in March 1999, and was redesignated as a Non-executive Director of the Company in September 2004.

Report of the Directors *(Continued)*

Dr. Cheng is the senior partner of Messrs. P.C. Woo & Co. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng currently holds directorships in China Mobile Limited, China Resources Enterprise, Limited, Towngas China Company Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited, Guangdong Investment Limited and Tian An China Investments Company Limited, all being public listed companies in Hong Kong. He is also an Independent Non-executive Director of ARA Asset Management Limited, a company whose shares are listed on Singapore Exchange Limited. His other directorships in public listed companies in the last three years include Hong Kong Television Network Limited and Hong Kong Exchanges and Clearing Limited. Save as disclosed above, Dr. Cheng did not hold any directorship, whether in Hong Kong or overseas, in any other public listed companies in the previous three years.

Mr. Liu Chee-ming, aged 64, has been a Non-executive Director of the Company since December 2013 and was an Independent Non-executive Director of the Company from June 1998 to December 2013. Mr. Liu is the Managing Director of Platinum Holdings Company Limited ("Platinum"). Prior to setting up Platinum, Mr. Liu was a member of the Executive Committee of Jardine Fleming Holdings Limited where he had worked for 19 years. He was the head of Investment Banking Department between 1988 and 1995.

Mr. Liu was appointed as an Independent Director of Japfa Ltd. (a company listed in Singapore) in July 2014. He was appointed as an Independent Non-executive Director of Haitong Securities Co., Ltd. in November 2011, a company listed in Shanghai and Hong Kong. He is an Independent Non-executive Director of StarHub Limited, a Singapore listed company. In addition, he is an Independent Director of OUE Hospitality REIT Management Pte. Ltd. and OUE Hospitality Trust Management Pte. Ltd., which are the REIT Manager and Trustee-Manager respectively of OUE Hospitality Trust (a company listed in Singapore), and Independent Director of Founder BEA Trust Co., Ltd. (an associate company of The Bank of East Asia, Limited, a company listed in Hong Kong). He is currently a Governor of the Singapore International School (Hong Kong) and the Chairman of the Finance Committee. He is also the Director of The Singapore International School Foundation Ltd. He is a member of the Takeovers Appeal Committee and was appointed as a Deputy Chairman of the Takeovers and Mergers Panel of the Securities and Futures Commission in Hong Kong.

Mr. Bernie Ting Wai-cheung, aged 49, was appointed as a Non-executive Director of the Company in July 2010. He was appointed as a director of Kader Industrial Company Limited since July 2010. He is the Director & General Manager of Qualidux Industrial Company Limited. He studied Mechanical Engineering at the University of Toronto, Canada. He obtained his MBA at Worcester Polytechnic Institute in the USA. He briefly worked in a manufacturing company in Canada. He is now working at Qualidux Industrial Company Limited as the Director & General Manager. Mr. Ting has not held any directorship in other listed public companies in the last three years.

Mr. Ting is the Honorary President of Hong Kong Toys Council under the auspices of the Federations of Hong Kong Industries. He became the Vice President of International Council of Toys Industries (ICTI) in 2009 and he participates in The Toys Manufacturers' Association of Hong Kong. As part of his public duties in Hong Kong, he is the Chairman of Hong Kong Q-Mark Council and the Vice Chairman of The Hong Kong Standards and Testing Centre Ltd. He contributes his spare time to community service through Rotary Club of Hong Kong South.

He is the nephew of Mr. Kenneth Ting Woo-shou, the Chairman and Managing Director of the Company and Mrs. Nancy Ting Wang Wan-sun, the Executive Director of the Company, and the cousin of Mr. Ivan Ting Tien-li, the Non-executive Director of the Company.

Independent Non-executive Directors

Mr. Floyd Chan Tsoi-yin, aged 71, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Chan is a member of the American Institute of Certified Public Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. He had been a partner of BDO Seidman in the United States for many years. He was the Asia Pacific Regional Coordinator of BDO International and a member of BDO McCabe Lo Limited's executive committee in Hong Kong. He has significant experience in assisting clients in exploring business opportunities in the Asia Pacific region, particularly the Southeast Asian developing countries and The People's Republic of China. He is also closely involved with assisting clients in developing business in North America and Europe.

Mr. Andrew Yao Cho-fai, JP, aged 49, was appointed as an Independent Non-executive Director of the Company in September 2004. Mr. Yao, graduated from the University of California, Berkeley and Harvard Graduate School of Business, is the Chairman of Van Shung Chong Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited).

Mr. Yao is the Hong Kong Deputy of the 12th National People's Congress of People's Republic of China, Standing Committee Member of All-China Youth Federation, Chairman of Hongkong-Shanghai Economic Development Association, Board Member of Lingnan University in Hong Kong, Vice Chairman of Shanghai Federation of Industry & Commerce, Board Member of Fudan University in Shanghai.

Mr. Desmond Chum Kwan-yue, aged 42, was appointed as an Independent Non-executive Director of the Company in March 2009. Mr. Chum is also an Independent Non-executive Director of Bingo Group Holdings Limited. Mr. Chum is a portfolio manager at Claren Road Asset Management, a US based credit hedge fund. Prior to working at Claren Road Asset Management, Mr. Chum was a Managing Director of Citigroup where he spent 12 years and helped to build its fixed income franchise in Asia. He oversaw a team of investment professionals and ran the Global Special Situations Group's investment activities in the Greater China Region. He has extensive experience in sourcing, evaluating and executing private lending, private equity and real estate investments in the Greater China Region. Mr. Chum graduated from Oxford University.

Report of the Directors *(Continued)*

Mr. Ronald Montalto, aged 66, was appointed as an Independent Non-executive Director of the Company in April 2009. Mr. Montalto graduated from East Carolina University in 1971. He was also awarded Juris Doctor from Emory University School of Law in 1974. Mr. Montalto was practicing Attorney in Atlanta between 1975 and 1982. Currently, he is Member of State Bar of California (Inactive). After his retirement from Mattel, Mr. Montalto consulted for Mattel Inc. senior management and developed a plan to relocate all Mattel's European manufacturing operations and back office support to Asia during 2005. He was a Senior Vice President of various Operations at Mattel where he worked for 21 years (15 of which were in Hong Kong) and established Mattel's Asian sourcing unit and was responsible for managing and integrating Mattel Brands' procurement and manufacturing Operations. He was a Director of Business Development at Mattel Far East Operations (Hong Kong) between 1983 and 1987. Since retirement, Mr. Montalto has consulted periodically on sales advisory programs for Teradata, a division of NCR (National Cash Register Corporation). He also conducted an Asian business/supply chain study for Enesco, an industry leading international giftware company headquartered in Chicago and Dansk Investment Group, a California company with manufacturing operations in Shanghai. Mr. Montalto has not held any directorship in other listed public companies in the last three years.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

All Non-executive Directors and INEDs are engaged on a term of service of two years, renewable for another two years upon expiry, and subject to re-election upon retirement by rotation at the forthcoming annual general meeting under the Company's Bye-laws 109(A) and 189(ix).

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

As at 31 December 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in the Company

Name of directors	Personal interests	Family interests	Corporate interests	Total interests	% of total issued share capital
	Number of ordinary shares of HK$0.10 each				
Kenneth Ting Woo-shou	295,685,941	2,075,183 (i)	258,963,571 (ii)	556,724,695	58.57%
Nancy Ting Wang Wan-sun	2,075,183	–	–	2,075,183	0.22%
Ivan Ting Tien-li	20,480,432	–	–	20,480,432	2.15%
Moses Cheng Mo-chi	15,714	–	–	15,714	0.00%
Liu Chee-ming	100,000	–	1,641,721	1,741,721	0.18%
Bernie Ting Wai-cheung	–	–	–	–	–
Floyd Chan Tsoi-yin	–	–	–	–	–
Andrew Yao Cho-fai	–	–	–	–	–
Desmond Chum Kwan-yue	–	–	–	–	–
Ronald Montalto	–	–	–	–	–

Notes:

(i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.

(ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Border Shipping Limited; and 49,292,571 shares of the Company held by Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Tyrol Investments Limited.

(2) Interests in Associated Corporations

Name of associated corporation	Beneficial interests	Class of shares	Personal interests	Family interests	Corporate interests	% of interests in associated corporation
			Number of shares held			
Allman Holdings Limited	Ivan Ting Tien-li	Ordinary shares of US$1.00 each	920 (i)	–	–	63.89%
Pacific Squaw Creek, Inc.	Ivan Ting Tien-li	Ordinary shares of US$1.00 each	–	–	1,000 (ii)	100.00%
Squaw Creek Associates, LLC	Ivan Ting Tien-li	Not applicable (iii)	–	–	–	62.00% (iv)
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	8.00% (v)

Notes:

(i) These interests are held by Mr. Ivan Ting Tien-li.

(ii) These interests are held by Allman Holdings Limited ("Allman"). Mr. Ivan Ting Tien-li's beneficial interests in Allman are disclosed in note (i) above.

(iii) Squaw Creek Associates, LLC ("SCA") does not have issued share capital, the percentage of interest in SCA represents the interest in capital account balance.

(iv) These interests are held by Pacific Squaw Creek, Inc. ("PSC"). Mr. Ivan Ting Tien-li's beneficial interests in PSC are disclosed in note (ii) above.

(v) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 31 December 2014, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 31 December 2014, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS

As at 31 December 2014, other persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

	Number of ordinary shares of HK$0.10 each				
Other Persons	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**% of total issued share capital**
Ting Hok-shou	13,800,238	571,429 (i)	248,769,281 (ii)	263,140,948	27.68%
Emily Tsang Wing-hin	571,429	13,800,238 (iii)	248,769,281 (ii)	263,140,948	27.68%

Notes:

(i) The spouse of Mr. Ting Hok-shou, Mrs. Emily Tsang Wing-hin, is the beneficial shareholder.

(ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Mr. Ting Hok-shou has a controlling interest through Border Shipping Limited; 3,913,997 shares of the Company held by Golden Tree Investment Company Limited, in which Mr. Ting Hok-shou and Mrs. Emily Tsang Wing-hin together have controlling interest; and 35,184,284 shares of the Company held by Kimpont Limited, in which Mr. Ting Hok-shou and Mrs. Emily Tsang Wing-hin together have controlling interest through Golden Tree Investment Company Limited and Yale Investment Corporation.

(iii) The spouse of Mrs. Emily Tsang Win-hin is the beneficial shareholder.

Save as disclosed above, as at 31 December 2014, the Company was not notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENT POLICY

The directors' fees are determined by shareholders at the annual general meeting. The other emoluments of the directors and senior management are determined with reference to the prevailing market practice, the profitability of the Group, the directors' performance and responsibilities within the Group and contributions to the Group. The Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group subject to the Group's profitability and the individual's performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda.

Report of the Directors *(Continued)*

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 a 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Mr. Kenneth Ting Woo-shou and Mr. Bernie Ting Wai-cheung, directors of the Company, are considered to have interests in Qualidux Industrial Company Limited ("Qualidux"), a company engaging in toy manufacturing long before the listing of the Company on the Stock Exchange, which competes or is likely to compete with the business of the Group pursuant to the Listing Rules. Qualidux employs a total workforce of around 1,900 employees.

As the Board of the Company is independent from the board of the abovementioned company and none of the above directors can control the Board of the Company, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

INDEPENDENT AUDITORS

A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 31 March 2015

Independent Auditor's Report

To the shareholders of Kader Holdings Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kader Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 117, which comprise the consolidated and 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 FINANCIAL STATEMENTS

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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 auditor's 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 auditor considers 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.

Independent Auditor's Report *(Continued)*

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.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	3, 11	**825,229**	927,773
Other revenue	4(a)	**16,730**	18,270
Other net (loss)/income	4(b)	**(1,939)**	9,895
Changes in inventories of finished goods and work in progress		**15,652**	707
Cost of purchase of finished goods		**(21,523)**	(39,202)
Raw materials and consumables used		**(206,608)**	(239,249)
Staff costs	5(b)	**(302,550)**	(403,007)
Depreciation	12	**(35,736)**	(42,773)
Other operating expenses		**(284,971)**	(293,395)
Profit/(loss) from operations		**4,284**	(60,981)
Finance costs	5(a)	**(17,106)**	(15,434)
Share of profits less losses of associates	16	**3,716**	3,263
Reversal of impairment of loans to an associate	16	**1,883**	–
Surplus on revaluation of investment properties	12	**156,860**	129,058
Profit before taxation	5	**149,637**	55,906
Income tax expense	6	**(2,027)**	(1,073)
Profit for the year		**147,610**	54,833
Attributable to:			
Equity shareholders of the Company	9	**145,840**	50,930
Non-controlling interests		**1,770**	3,903
Profit for the year		**147,610**	54,833
Earnings per share	10		
Basic		**15.69¢**	7.44¢
Diluted		**15.69¢**	7.44¢

The notes on pages 38 to 117 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Profit for the year		**147,610**	54,833
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings held for own use upon change of use to investment properties	12	–	20,237
Items that may be reclassified subsequently to profit or loss:			
Realisation of exchange reserve upon deregistration of a subsidiary		**(1,971)**	–
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(6,025)**	(15,125)
Available-for-sale securities:			
– changes in fair value during the year		**(333)**	(401)
– reclassification adjustments for amounts transferred to profit or loss	4(b)	**(2,067)**	–
Total comprehensive income for the year		**137,214**	59,544
Attributable to:			
Equity shareholders of the Company		**136,385**	55,446
Non-controlling interests		**829**	4,098
Total comprehensive income for the year		**137,214**	59,544

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

The notes on pages 38 to 117 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2014

	Note	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Non-current assets			
Fixed assets			
– Investment properties	12	**1,548,579**	1,390,178
– Other property, plant and equipment	12	**171,606**	191,362
– Construction in progress	13	**185**	1,113
		1,720,370	1,582,653
Intangible assets	14	**2,595**	3,744
Interest in associates	16	**25,206**	20,025
Other non-current financial assets	17	**6,994**	10,136
Deferred tax assets	24(b)	**3,669**	3,948
		1,758,834	1,620,506
Current assets			
Inventories	18(a)	**310,547**	316,246
Current tax recoverable	24(a)	**413**	376
Loans to an associate	16	**22,723**	21,456
Trade and other receivables	19	**142,382**	150,213
Cash and cash equivalents	20(a)	**94,106**	76,347
		570,171	564,638
Current liabilities			
Trade and other payables	21	**153,826**	244,870
Bank loans and overdrafts	22	**506,122**	516,126
Current tax payable	24(a)	**4,287**	1,627
		664,235	762,623
Net current liabilities		**(94,064)**	(197,985)

Consolidated Balance Sheet *(Continued)*

At 31 December 2014

	Note	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Total assets less current liabilities		**1,664,770**	1,422,521
Non-current liabilities			
Bank loans	22	**50,649**	24,782
Deferred rental expenses	25	**3,396**	3,162
Rental deposits	26	**4,800**	2,636
Deferred tax liabilities	24(b)	**16,024**	18,615
Loan from a director	23	**–**	20,000
Accrued employee benefits	27	**291**	337
		75,160	69,532
NET ASSETS		**1,589,610**	1,352,989
CAPITAL AND RESERVES			
Share capital	28(c)	**95,059**	66,541
Reserves		**1,494,189**	1,282,608
Total equity attributable to equity shareholders of the Company		**1,589,248**	1,349,149
Non-controlling interests		**362**	3,840
TOTAL EQUITY		**1,589,610**	1,352,989

Approved and authorised for issue by the Board of Directors on 31 March 2015.

Kenneth Ting Woo-shou
Director

Nancy Ting Wang Wan-sun
Director

The notes on pages 38 to 117 form part of these financial statements.

Balance Sheet
At 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Interest in subsidiaries	15	**922,237**	935,094
Current assets			
Trade and other receivables	19	**339**	431
Current tax recoverable	24(a)	**37**	–
Cash and cash equivalents	20(a)	**1,671**	408
		2,047	839
Current liabilities			
Trade and other payables	21	**2,522**	87,389
Net current liabilities		**(475)**	(86,550)
NET ASSETS		**921,762**	848,544
CAPITAL AND RESERVES	28(a)		
Share capital		**95,059**	66,541
Reserves		**826,703**	782,003
TOTAL EQUITY		**921,762**	848,544

Approved and authorised for issue by the Board of Directors on 31 March 2015.

Kenneth Ting Woo-shou
Director

Nancy Ting Wang Wan-sun
Director

The notes on pages 38 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Contributed surplus	Exchange reserve	Land and buildings revaluation reserve	Fair value reserve	Revenue reserve	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2013	66,541	109,942	10,815	173,397	(38,404)	42,430	2,429	926,553	1,293,703	(258)	1,293,445
Changes in equity for 2013:											
Profit for the year	–	–	–	–	–	–	–	50,930	50,930	3,903	54,833
Other comprehensive income	–	–	–	–	(15,320)	20,237	(401)	–	4,516	195	4,711
Total comprehensive income	–	–	–	–	(15,320)	20,237	(401)	50,930	55,446	4,098	59,544
Balance at 31 December 2013 and 1 January 2014	66,541	109,942	10,815	173,397	(53,724)	62,667	2,028	977,483	1,349,149	3,840	1,352,989
Changes in equity for 2014:											
Issuance of shares 28(c)	28,518	75,196	–	–	–	–	–	–	103,714	–	103,714
Profit for the year	–	–	–	–	–	–	–	145,840	145,840	1,770	147,610
Other comprehensive income	–	–	–	–	(7,055)	–	(2,400)	–	(9,455)	(941)	(10,396)
Total comprehensive income	–	–	–	–	(7,055)	–	(2,400)	145,840	136,385	829	137,214
Deregistration of a non–wholly owned subsidiary	–	–	–	–	–	–	–	–	–	(2,798)	(2,798)
Dividends paid to non–controlling interests	–	–	–	–	–	–	–	–	–	(1,509)	(1,509)
Balance at 31 December 2014	**95,059**	**185,138**	**10,815**	**173,397**	**(60,779)**	**62,667**	**(372)**	**1,123,323**	**1,589,248**	**362**	**1,589,610**

The notes on pages 38 to 117 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Cash used in operations	20(b)	**(41,700)**	(64,849)
Tax paid:			
Hong Kong Profits Tax paid		**(79)**	(344)
Tax outside Hong Kong paid		**(1,621)**	(2,167)
Net cash used in operating activities		**(43,400)**	(67,360)
Investing activities			
Payment for the purchase of fixed assets		**(23,457)**	(32,562)
Payment for construction in progress		**(185)**	(2,115)
Proceeds from sale of available-for-sale securities		**3,948**	–
Payment for purchase of available-for-sale securities		**(1,139)**	–
Proceeds from disposal of fixed assets		**313**	82
Interest received		**1,353**	1,263
Increase in investment in an associate		**(98)**	(1,073)
Decrease/(increase) in amounts due from associates		**1,548**	(3,990)
Decrease/(increase) in loans to an associate		**616**	(7,999)
Deregistration of a non-wholly owned subsidiary		**(2,798)**	–
Net cash used in investing activities		**(19,899)**	(46,394)
Dividends paid to non-controlling interests		**(1,509)**	–
Proceeds from new bank loans		**806,937**	530,797
Repayment of bank loans		**(766,175)**	(434,376)
Proceeds from loan from a director		**50,000**	–
Repayment of loan from a director		**(70,000)**	–
Interest paid		**(17,106)**	(15,434)
Proceeds from issue of shares		**103,714**	–
Net cash generated from financing activities		**105,861**	80,987
Net increase/(decrease) in cash and cash equivalents		**42,562**	(32,767)
Cash and cash equivalents at 1 January		**51,071**	83,466
Effect of foreign exchange rate changes		**(124)**	372
Cash and cash equivalents at 31 December	20(a)	**93,509**	51,071

The notes on pages 38 to 117 form part of these financial statements.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. 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 comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 35.

The Group recorded net current liabilities of HK$94,064,000 as at 31 December 2014. In addition, the Company recorded net current liabilities of HK$475,000 as at 31 December 2014. These financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of the Group and the Company because the directors are of the opinion that, based on a cash flow forecast of the Group for the year ending 31 December 2015, which assumes that bank loans reaching maturity date within twelve months of the balance sheet date would be extended by banks on similar terms upon maturity, the Group and the Company would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the balance sheet date. The financial statements do not include any adjustments relating to the carrying amount and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern (see note 35(d)).

(c) Subsidiaries and non-controlling interests

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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in 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 the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-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, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's balance sheet, an interest in a subsidiary is stated at cost less any impairment losses (see note 1(m)(ii)).

(d) Associates

An associate 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.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 1(m)(ii)).

(e) Goodwill

Goodwill represents the excess of

(i) the 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 acquisition date.

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

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

Other investments in securities are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(m)(i)). Dividend income from equity securities is recognised in profit or loss. Interest income from debt securities calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(v)(iii). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(m)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised / derecognised on the date the Group commits to purchase / sell the investments or they expire.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(v)(ii).

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 (see note 1(l)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(l).

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)(ii)):

– land and buildings held for own use; and

– other items of plant and equipment.

If land and buildings held for own use becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at that date of transfer is recognised in other comprehensive income and accumulated in land and buildings revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Other property, plant and equipment *(Continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

(i) Land and buildings held for own use are depreciated over the unexpired term of lease.

(ii) Freehold land is not depreciated.

(iii) Other items of plant and equipment are at the following rates:

Plant and machinery	20% to 25% per annum
Furniture and fixtures	20% to 25% per annum
Moulds and tools	10% to 30% per annum
Motor vehicles and pleasure craft	30% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Construction in progress

Construction in progress represents fixed assets under construction and equipment pending installation and is initially recognised in the balance sheet at cost less impairment losses (see note 1(m)(ii)). Cost comprises cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Capitalisation of these costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)(ii)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Club memberships	20 years
–	Licensing rights	5 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group or taken over from the previous lessee.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(m)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that come 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;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For interest in associates (accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material. The assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristic similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt 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.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than investment properties carried at revalued amounts);

– construction in progress;

– intangible assets;

– goodwill; and

– interest in subsidiaries and associates in the company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment (Continued)

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(m)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment of doubtful debts.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to interest in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") 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.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the 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 in accordance with note 1(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Other provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease 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.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Air-conditioning, management and maintenance service charges from tenants

Air-conditioning, management and maintenance service charges from tenants is recognised when the related services are rendered.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

(v) Testing income and film making and photo taking income on products

Testing income and film making and photo taking income on products is recognised when the agreed services have been provided.

(vi) Material charges

Material charges are recognised when the right to receive payment is established.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Borrowing costs *(Continued)*

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences 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 in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(1) 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.

(2) 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 (1).

(vii) A person identified in (1)(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 of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following 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*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements.

Notes to the Financial Statements *(Continued)*

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

3. TURNOVER

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

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

	2014	2013
	HK$'000	*HK$'000*
Sales of goods	**784,144**	893,308
Gross rentals from investment properties	**41,085**	34,465
	825,229	927,773

The Group's customer base is diversified and includes one (2013: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2014, revenue from sales of toys and model trains to this customer (2013: one), including sales to entities which are known to the Group to be under common control of these customers, amounted to approximately HK$293,293,000 (2013: HK$290,069,000) and arose in the North America (2013: North America) geographical region in which the toys and model trains division is active. Details of the concentration of credit risk arising from this customer are set out in note 29(a).

Further details regarding the Group's principal activities are disclosed in note 11 to these financial statements.

Notes to the Financial Statements *(Continued)*

4. OTHER REVENUE AND NET (LOSS)/INCOME

	2014 HK$'000	2013 HK$'000
(a) Other revenue		
Interest income from loans to an associate	**1,044**	1,029
Interest income from available-for-sale debt securities	**141**	138
Other interest income	**168**	96
	1,353	1,263
Air conditioning, management and maintenance service charges from tenants	**6,774**	6,428
Material charges	**3,258**	1,225
Others	**5,345**	9,354
	16,730	18,270

	2014 HK$'000	2013 HK$'000
(b) Other net (loss)/income		
Net gain/(loss) on disposal of fixed assets	**78**	(407)
Net exchange (loss)/gain	**(4,084)**	10,302
Available-for-sale securities: reclassified from equity on disposal	**2,067**	–
	(1,939)	9,895

5. PROFIT BEFORE TAXATION

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

	2014 *HK$'000*	2013 *HK$'000*
(a) Finance costs		
Interest on bank overdrafts	**789**	539
Interest on bank borrowings repayable within five years	**15,537**	14,244
Interest on loan from a director	**780**	651
	17,106	15,434
(b) Staff costs		
Salaries, wages and other benefits	**289,725**	370,547
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK$123,000 *(2013: HK$150,000)*	**12,825**	32,460
	302,550	403,007

Notes to the Financial Statements *(Continued)*

5. PROFIT BEFORE TAXATION *(Continued)*

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

	2014 **HK$'000**	2013 HK$'000
(c) Other items		
Amortisation of intangible assets *(note 14)*	**1,054**	1,002
Depreciation *(note 12)*		
– owned assets	**35,736**	42,773
Impairment losses		
– fixed assets *(note 12)*	**6,474**	725
– trade receivables *(note 19(b))*	**5,326**	3,464
	11,800	4,189
Operating lease charges		
– rental of land and buildings	**30,026**	39,697
– other rentals	**81**	106
	30,107	39,803
Auditors' remuneration		
– audit services	**4,020**	4,717
– tax services	**497**	387
	4,517	5,104
Cost of inventories *(note 18(b))*	**553,476**	723,461
Rental receivable from investment properties less direct outgoings of HK$2,865,000 (2013: HK$3,299,000)	**(38,220)**	(31,166)

Cost of inventories includes HK$205,975,000 (2013: HK$303,707,000) relating to staff costs, depreciation charges, impairment loss in respect of fixed assets and operating lease charges, which amount is also included in the respective total amounts disclosed separately above and in the income statement for each of these types of expenses.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2014	2013
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	73
Under-provision in respect of prior years	**2,211**	35
	2,211	108
Current tax – Outside Hong Kong		
Provision for the year	**1,123**	178
Under-provision in respect of prior years	**1,005**	55
	2,128	233
Deferred tax *(note 24(b))*		
Origination and reversal of temporary differences	**(2,312)**	732
	2,027	1,073

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

The Corporate Income Tax ("CIT") rate applicable to subsidiaries registered in the People's Republic of China ("PRC") is 25% (2013: 25%).

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

During the year ended 31 December 2014, the British Government announced a reduction in the corporation tax rate applicable to the Group's operations in the United Kingdom (the "UK") from 23.0% to 21.5% (2013: 24.5% to 23.0%). The reduction has been taken into account in the preparation of the Group's financial statements. Accordingly, the deferred tax balances related to the Group's operations in the UK as at 31 December 2014 were calculated using a tax rate of 21.5% (2013: 23.0%).

Notes to the Financial Statements *(Continued)*

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation	**149,637**	55,906
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**22,921**	5,140
Tax effect of non-deductible expenses	**15,815**	8,538
Tax effect of non-taxable income	**(35,093)**	(25,524)
Tax effect of previously unrecognised tax losses utilised	**(11,902)**	(1,935)
Tax effect of unused tax losses not recognised	**7,070**	14,764
Under-provision in prior years	**3,216**	90
Actual tax expense	**2,027**	1,073

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014				
	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Kenneth Ting Woo-shou	90	2,040	–	204	2,334
Nancy Ting Wang Wan-sun	60	–	–	–	60
Non–executive directors:					
Ivan Ting Tien-li	60	–	–	–	60
Moses Cheng Mo-chi	60	–	–	–	60
Bernie Ting Wai-cheung	70	–	–	–	70
Liu Chee-ming	60	–	–	–	60
Independent non–executive directors:					
Floyd Chan Tsoi-yin	110	–	–	–	110
Andrew Yao Cho-fai	100	–	–	–	100
Desmond Chum Kwan-yue	110	–	–	–	110
Ronald Montalto	80	–	–	–	80
	800	2,040	–	204	3,044

7. DIRECTORS' REMUNERATION *(Continued)*

	2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Kenneth Ting Woo-shou	90	2,040	–	204	2,334
Nancy Ting Wang Wan-sun	60	–	–	–	60
Non–executive directors:					
Ivan Ting Tien-li	60	–	–	–	60
Moses Cheng Mo-chi	60	–	–	–	60
Bernie Ting Wai-cheung	70	–	–	–	70
Liu Chee-ming	100	–	–	–	100
Independent non–executive directors:					
Floyd Chan Tsoi-yin	110	–	–	–	110
Andrew Yao Cho-fai	100	–	–	–	100
Desmond Chum Kwan-yue	90	–	–	–	90
Ronald Montalto	80	–	–	–	80
	820	2,040	–	204	3,064

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2013: one) is a director whose emolument is set out in note 7. The aggregate of the emoluments in respect of the other four (2013: four) individuals with highest emoluments are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other emoluments	**6,572**	6,572
Retirement scheme contributions	**325**	322
	6,897	6,894

8. INDIVIDUAL WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the four (2013: four) individuals with the highest emoluments are within the following bands:

	2014 Number of employees	2013 Number of employees
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**3**	3

9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$30,496,000 (2013: HK$246,458,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 28(b).

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$145,840,000 (2013: HK$50,930,000) and the weighted average of 929,484,000 ordinary shares (2013: 684,975,000 ordinary shares) in issue during the years. As described in note 28, the Company completed the rights issue in January 2014. In calculating earnings per share, the weighted average number of shares outstanding during the years ended 31 December 2014 and 2013 were calculated as if the bonus elements without consideration included in the rights issue had existed from the beginning of the comparative year.

(b) Diluted earnings per share

The Company did not have dilutive potential ordinary shares outstanding during both 2014 and 2013. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both 2014 and 2013.

Notes to the Financial Statements *(Continued)*

11. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys and model trains:	The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located in Mainland China.
Property investment:	The leasing of office premises and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.
Investment holding:	The investment in securities.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible assets and current assets with the exception of intangible assets, interests in associates, other non-current financial assets, deferred tax assets, current tax recoverable, cash and cash equivalents and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

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

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

11. SEGMENT REPORTING *(Continued)*

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**784,144**	893,308	**41,085**	34,465	**–**	–	**825,229**	927,773
Inter-segment revenue	**–**	–	**1,459**	1,258	**–**	–	**1,459**	1,258
Reportable segment revenue	**784,144**	893,308	**42,544**	35,723	**–**	–	**826,688**	929,031
Reportable segment profit/(loss) (adjusted EBITDA)	**12,110**	(55,567)	**34,888**	31,346	**(19,982)**	(20,578)	**27,016**	(44,799)
Interest income	**168**	95	**–**	–	**1,185**	1,168	**1,353**	1,263
Interest expenses	**(16,726)**	(15,434)	**–**	–	**(380)**	–	**(17,106)**	(15,434)
Depreciation and amortisation for the year	**(35,267)**	(43,722)	**(1,456)**	–	**(67)**	(53)	**(36,790)**	(43,775)
Impairment of fixed assets	**(6,474)**	(725)	**–**	–	**–**	–	**(6,474)**	(725)
Reportable segment assets	**654,204**	670,699	**1,557,539**	1,390,235	**325,299**	345,294	**2,537,042**	2,406,228
Additions to non-current segment assets during the year	**22,466**	34,677	**1,176**	–	**–**	–	**23,642**	34,677
Reportable segment liabilities	**1,057,244**	1,041,917	**19,129**	12,829	**6,439**	94,062	**1,082,812**	1,148,808

11. SEGMENT REPORTING *(Continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**826,688**	929,031
Elimination of inter-segment revenue	**(1,459)**	(1,258)
Consolidated turnover	**825,229**	927,773
Profit		
Reportable segment profit/(loss)	**27,016**	(44,799)
Elimination of inter-segment profit/(loss)	**–**	–
Reportable segment profit/(loss) derived from the Group's external customers	**27,016**	(44,799)
Other revenue	**16,730**	18,270
Other net (loss)/income	**(1,939)**	9,895
Depreciation and amortisation	**(36,790)**	(43,775)
Finance costs	**(17,106)**	(15,434)
Share of profits less losses of associates	**3,716**	3,263
Reversal of impairment of loans to an associate	**1,883**	–
Surplus on revaluation of investment properties	**156,860**	129,058
Unallocated corporate expenses	**(733)**	(572)
Consolidated profit before taxation	**149,637**	55,906
Assets		
Reportable segment assets	**2,537,042**	2,406,228
Elimination of inter-segment receivables	**(363,789)**	(357,162)
	2,173,253	2,049,066
Intangible assets	**2,595**	3,744
Interest in associates	**25,206**	20,025
Loans to an associate	**22,723**	21,456
Other non-current financial assets	**6,994**	10,136
Deferred tax assets	**3,669**	3,948
Current tax recoverable	**413**	376
Cash and cash equivalents	**94,106**	76,347
Unallocated head office and corporate assets	**46**	46
Consolidated total assets	**2,329,005**	2,185,144

11. SEGMENT REPORTING *(Continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**1,082,812**	1,148,808
Elimination of inter-segment payables	**(363,789)**	(357,162)
	719,023	791,646
Current tax payable	**4,287**	1,627
Deferred tax liabilities	**16,024**	18,615
Unallocated head office and corporate liabilities	**61**	20,267
Consolidated total liabilities	**739,395**	832,155

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, the location of the operation to which they are allocated, in the case of intangible assets and the location of operations, in the case of interest in associates.

	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)	**76,742**	82,987	**1,556,238**	1,394,829
Mainland China	**14,049**	23,475	**119,259**	147,922
North America	**496,150**	499,161	**51,522**	47,060
Europe	**193,419**	231,869	**20,908**	16,205
Others	**44,869**	90,281	**245**	406
	748,487	844,786	**191,934**	211,593
	825,229	927,773	**1,748,172**	1,606,422

12. FIXED ASSETS

The Group

	Land and buildings held for own use carried at cost		Other items of plant and equipment		Investment properties	
	In Hong Kong	Outside Hong Kong		Sub-total	In Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:						
At 1 January 2013	52,511	36,552	700,421	789,484	1,215,635	2,005,119
Exchange adjustments	–	282	3,263	3,545	–	3,545
Transfer from construction in progress *(note 13)*	–	438	4,623	5,061	–	5,061
Transfer *(note 12(b))*	(40,317)	–	–	(40,317)	38,060	(2,257)
Additions	–	489	24,648	25,137	7,425	32,562
Disposals	–	–	(2,732)	(2,732)	–	(2,732)
Surplus on revaluation	20,237	–	–	20,237	129,058	149,295
At 31 December 2013	32,431	37,761	730,223	800,415	1,390,178	2,190,593
Representing						
Cost	32,431	37,761	730,223	800,415	–	800,415
Valuation – 2013	–	–	–	–	1,390,178	1,390,178
	32,431	37,761	730,223	800,415	1,390,178	2,190,593
Cost or valuation:						
At 1 January 2014	**32,431**	**37,761**	**730,223**	**800,415**	**1,390,178**	**2,190,593**
Exchange adjustments	**–**	**(996)**	**(1,007)**	**(2,003)**	**–**	**(2,003)**
Transfer from construction in progress *(note 13)*	**–**	**–**	**1,113**	**1,113**	**–**	**1,113**
Additions	**–**	**988**	**20,928**	**21,916**	**1,541**	**23,457**
Disposals	**–**	**–**	**(2,145)**	**(2,145)**	**–**	**(2,145)**
Surplus on revaluation	**–**	**–**	**–**	**–**	**156,860**	**156,860**
At 31 December 2014	**32,431**	**37,753**	**749,112**	**819,296**	**1,548,579**	**2,367,875**

12. FIXED ASSETS *(Continued)*

The Group *(Continued)*

	Land and buildings held for own use carried at cost		Other items of plant and equipment		Investment properties	
	In Hong Kong	Outside Hong Kong		Sub-total	In Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Representing						
Cost	32,431	37,753	749,112	819,296	–	819,296
Valuation – 2014	–	–	–	–	1,548,579	1,548,579
	32,431	37,753	749,112	819,296	1,548,579	2,367,875
Accumulated depreciation and impairment:						
At 1 January 2013	7,588	18,121	542,347	568,056	–	568,056
Exchange adjustments	–	156	1,843	1,999	–	1,999
Charge for the year *(note 5(c))*	2,331	1,240	39,202	42,773	–	42,773
Impairment loss *(note 5(c))*	–	–	725	725	–	725
Written back on disposals	–	–	(2,243)	(2,243)	–	(2,243)
Written back on transfer	(2,257)	–	–	(2,257)	–	(2,257)
At 31 December 2013	7,662	19,517	581,874	609,053	–	609,053
At 1 January 2014	**7,662**	**19,517**	**581,874**	**609,053**	**–**	**609,053**
Exchange adjustments	**–**	**(482)**	**(1,182)**	**(1,664)**	**–**	**(1,664)**
Charge for the year *(note 5(c))*	**758**	**946**	**34,032**	**35,736**	**–**	**35,736**
Impairment loss *(note 5(c))*	**–**	**–**	**6,474**	**6,474**	**–**	**6,474**
Written back on disposals	**–**	**–**	**(1,909)**	**(1,909)**	**–**	**(1,909)**
At 31 December 2014	**8,420**	**19,981**	**619,289**	**647,690**	**–**	**647,690**
Net book value:						
At 31 December 2014	**24,011**	**17,772**	**129,823**	**171,606**	**1,548,579**	**1,720,185**
At 31 December 2013	24,769	18,244	148,349	191,362	1,390,178	1,581,540

Notes to the Financial Statements *(Continued)*

12. FIXED ASSETS *(Continued)*

(a) Impairment loss

During the year ended 31 December 2014, the Group assessed the recoverable amount of the Group's moulds and equipment and as a result, an impairment loss of HK$6,474,000 (2013: HK$725,000) was recognised to write down the carrying amount of certain moulds and equipment to their recoverable amount. The estimates of recoverable amount were based on the moulds' and equipment's value in use, determined by reference to anticipated future use.

(b) Fair value measurement of investment properties

	2014	2013
	HK$'000	*HK$'000*
Medium term leases at valuation:		
– In Hong Kong	**1,548,579**	1,390,178

(i) Fair value hierarchy

The following table presents the fair value of the Group's 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

12. FIXED ASSETS *(Continued)*

(b) Fair value measurement of investment properties *(continued)*

(i) Fair value hierarchy (continued)

	Fair value as at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
The Group				
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	**1,548,579**	**–**	**–**	**1,548,579**

	Fair value as at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
		Level 1	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	1,390,178	–	–	1,390,178

During the year ended 31 December 2014, 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 balance sheet in which they occur.

All of the Group's investment properties were revalued as at 31 December 2014. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each balance sheet date.

Notes to the Financial Statements *(Continued)*

12. FIXED ASSETS *(Continued)*

(b) Fair value measurement of investment properties *(continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Unobservable inputs**	**Range**	**Weighted average**
Investment properties – Industrial – Hong Kong	Income capitalisation approach	Market rental value	HK$10.3 to HK$11.2/sq. foot/month	HK$10.5/sq. foot/ month
		Capitalisation rate	3.5%	3.5%
Investment properties – Industrial – Hong Kong	Direct comparison approach	Premium (discount) on quality of the buildings	0%	0%

The fair value of investment properties located in Hong Kong is determined on an open market value basis, by either making reference to the comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with the provision for any reversionary income potential.

The capitalisation rate used in income capitalisation approach has been adjusted for the expected market rental growth, occupancy rate and quality and location of the buildings. The fair value measurement is positively correlated to the market rental value and negatively correlated to the risk-adjusted capitalisation rate.

The premium or discount used in direct comparison approach is specific to the building compared to the recent sales. High premium for higher quality buildings will result in a high fair value measurement.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:-

	2014	2013
	HK$'000	*HK$'000*
Investment properties – Industrial – Hong Kong:		
At 1 January	**1,390,178**	1,215,635
Additions	**1,541**	7,425
Transfer	**–**	38,060
Fair value adjustment	**156,860**	129,058
At December	**1,548,579**	1,390,178

12. FIXED ASSETS *(Continued)*

(b) Fair value measurement of investment properties *(continued)*

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

Fair value adjustment of investment properties is recognised in the line item "Surplus on revaluation of investment properties" in the consolidated income statement.

All the gains recognised in profit and loss for the year arose from the properties held at the balance sheet date.

(c) The analysis of net book value of other properties is as follows:

	2014	2013
	HK$'000	*HK$'000*
Medium-term leases in Hong Kong	**24,011**	24,769
Freehold outside Hong Kong	**17,772**	18,244
	41,783	43,013

(d) Fixed assets leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew each lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The carrying amount of the investment properties of the Group held for use in operating leases was HK$1,548,579,000 (2013: HK$1,390,178,000). All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 year	**19,230**	21,042
After 1 year but within 5 years	**6,392**	21,669
	25,622	42,711

12. FIXED ASSETS *(Continued)*

(e) Secured assets

Investment properties and land and buildings of the Group with total carrying values of HK$1,548,579,000 (2013: HK$1,390,178,000) and HK$41,783,000 (2013: HK$43,013,000) respectively, were pledged to various banks to secure banking facilities granted to the Group (see note 22).

13. CONSTRUCTION IN PROGRESS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**1,113**	3,997
Exchange adjustments	**–**	62
Additions	**185**	2,115
Transfer to fixed assets *(note 12)*	**(1,113)**	(5,061)
At 31 December	**185**	1,113

14. INTANGIBLE ASSETS

	The Group		
	Licensing rights	Club membership	Total
Cost:			
At 1 January 2013	5,133	868	6,001
Exchange adjustments	70	–	70
At 31 December 2013	5,203	868	6,071
At 1 January 2014	5,203	868	6,071
Exchange adjustments	(247)	–	(247)
At 31 December 2014	4,956	868	5,824
Accumulated amortisation:			
At 1 January 2013	999	268	1,267
Exchange adjustments	58	–	58
Charge for the year	968	34	1,002
At 31 December 2013	2,025	302	2,327
At 1 January 2014	2,025	302	2,327
Exchange adjustments	(152)	–	(152)
Charge for the year	1,021	33	1,054
At 31 December 2014	2,894	335	3,229
Net book value:			
At 31 December 2014	2,062	533	2,595
At 31 December 2013	3,178	566	3,744

The amortisation charge for the year is included in “other operating expenses” in the consolidated income statement.

15. INTEREST IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**318,844**	318,844
Add: amounts due from subsidiaries	**986,505**	986,475
Less: impairment losses	**(383,112)**	(370,225)
	922,237	935,094

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but the Company will not seek repayment thereof within 12 months of the balance sheet date.

Details of the major subsidiaries at 31 December 2014 which principally affected the results, assets or liabilities of the Group are listed on pages 116 to 117.

The subsidiaries of the group do not have material non-controlling interests.

16. INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Non-current assets		
Share of net assets	**(11,623)**	(15,437)
Amounts due from associates	**42,092**	41,217
Less: impairment loss	**(5,263)**	(5,755)
	25,206	20,025
Current assets		
Loans to an associate	**24,737**	25,353
Less: impairment loss	**(2,014)**	(3,897)
	22,723	21,456

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The Group does not intend to seek repayment thereof within 12 months of the balance sheet date.

16. INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE *(Continued)*

At 31 December 2014, loans to an associate amounting to HK$12,090,000 (2013: HK$12,090,000) are unsecured, interest-bearing at 5% to 10% per annum and are repayable on 31 May 2015 (2013: 31 May 2014). Interest receivable amounted to HK$3,287,000 (2013: HK$2,343,000) as at 31 December 2014. Loans to an associate of HK$9,360,000 (2013: HK$10,920,000) are unsecured, interest-free and repayable on demand.

The following list contains the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

			Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Group's effective interest**	**Held by a subsidiary**	**Held by an associate**	**Principal activity**
Allman Holdings Limited	Incorporated	British Virgin Islands	36.1%	36.1%	–	Investment holding
Pacific Squaw Creek Inc.	Incorporated	USA	36.1%	–	100.0%	Investment holding
RedwoodVentures Limited	Incorporated	Hong Kong	40.0%	40.0%	–	Trading of toys
Squaw Creek Associates, LLC	Limited liability	USA	32.4%	10.0%	62.0%	Resort operation, and the sale and management of condominium apartments

All of the above associates are accounted for using the equity method in the consolidated financial statements and considered to be not individually material.

Summary financial information on associates

	Assets *HK$'000*	**Liabilities** *HK$'000*	**Equity** *HK$'000*	**Revenue** *HK$'000*	**Profit** *HK$'000*
2014 Group's effective interest	**160,485**	**(172,108)**	**(11,623)**	**75,362**	**3,716**
2013 Group's effective interest	148,782	(164,219)	(15,437)	37,005	3,263

Notes to the Financial Statements *(Continued)*

17. OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Available-for-sale equity securities:		
– Listed in Hong Kong	**1,800**	640
– Listed outside Hong Kong	**2,749**	7,029
	4,549	7,669
Available-for-sale debt securities:		
– Listed in Hong Kong	**2,445**	2,467
	6,994	10,136

18. INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**25,787**	41,967
Work in progress	**47,245**	53,053
Finished goods	**237,515**	221,226
	310,547	316,246

Finished goods amounting to HK$113,248,000 (2013: HK$76,204,000) were pledged to banks to secure banking facilities granted to the Group (see note 22).

18. INVENTORIES *(Continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows *(note 5(c))*:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**548,982**	728,268
Write-down of inventories	**12,201**	2,635
Reversal of write-down of inventories	**(7,707)**	(7,442)
	553,476	723,461

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

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors	**136,332**	134,607	**–**	–
Less: allowance for doubtful debts *(note 19(b))*	**(16,351)**	(12,226)	**–**	–
	119,981	122,381	**–**	–
Amounts due from an associate	**34**	2,949	**–**	–
Amounts due from non-controlling interests	**–**	2,909	**–**	–
Deposits and prepayments	**22,367**	21,974	**339**	431
	142,382	150,213	**339**	431

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Amounts due from an associate are trade-related, unsecured, interest-free and due within 60 days from the date of billing.

Amounts due from non-controlling interests were unsecured, interest-free and had no fixed terms of repayment.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

As at 31 December 2014, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**101,623**	101,878
1 to 3 months	**13,813**	6,617
3 to 12 months	**3,732**	10,498
Over 12 months	**813**	3,388
	119,981	122,381

Trade debtors are due within seven to ninety days from the date of billing. Further details on the Group's credit policy are set out in note 29(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(m)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**12,226**	8,748
Exchange adjustments	**(3)**	20
Impairment losses *(note 5(c))*	**5,326**	3,464
Reversal of impairment losses	**(43)**	–
Uncollectible amounts written off	**(1,155)**	(6)
At 31 December	**16,351**	12,226

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade debtors *(Continued)*

At 31 December 2014, certain of the Group's trade debtors totalling HK$16,351,000 (2013: HK$12,226,000) were individually determined to be impaired. The individually impaired receivables related to customers with which the Group no longer conducts business and management assessed that these receivables are not recoverable. Consequently, specific allowances for doubtful debts of HK$16,351,000 (2013: HK$12,226,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**94,439**	86,006
Less than 1 month past due	**15,212**	20,341
1 to 3 months past due	**8,728**	2,794
More than 3 months but less than 12 months past due	**916**	10,360
More than 12 months past due	**686**	2,880
	25,542	36,375
	119,981	122,381

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

20. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents in the balance sheets	**94,106**	76,347	**1,671**	408
Bank overdrafts *(note 22)*	**(597)**	(25,276)		
Cash and cash equivalents in the consolidated cash flow statement	**93,509**	51,071		

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	**2014**	2013
		HK$'000	*HK$'000*
Profit before taxation		**149,637**	55,906
Adjustments for:			
Surplus on revaluation of investment properties	*12*	**(156,860)**	(129,058)
Depreciation	*12*	**35,736**	42,773
Amortisation of intangible assets	*14*	**1,054**	1,002
Impairment of fixed assets	*12(a)*	**6,474**	725
Finance costs	*5(a)*	**17,106**	15,434
Interest income	*4(a)*	**(1,353)**	(1,263)
Share of profits less losses of associates	*16*	**(3,716)**	(3,263)
Reversal of impairment of loans to an associate	*16*	**(1,883)**	–
Net (gain)/loss on disposal of fixed assets	*4(b)*	**(78)**	407
Reclassification from equity on disposal of available-for-sale securities	*4(b)*	**(2,067)**	–
Foreign exchange gain		**(7,671)**	(16,985)
Changes in working capital:			
Decrease in inventories		**5,699**	32,416
Decrease in trade and other receivables		**4,916**	928
Decrease in creditors and accrued charges		**(89,646)**	(64,209)
Increase in deferred rental expenses		**234**	234
Increase in rental deposits received		**764**	963
Decrease in accrued employee benefits		**(46)**	(859)
Cash used in operations		**(41,700)**	(64,849)

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Creditors and accrued charges	**148,242**	237,196	**2,522**	87,389
Rental deposits	**4,706**	6,106	**–**	–
Amount due to a related company	**878**	1,568	**–**	–
	153,826	244,870	**2,522**	87,389

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Amount due to a related company is unsecured, interest-free and has no fixed terms of repayment. The related company has a common director and shareholder with the company.

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Due within 1 month or on demand	**30,792**	29,074
Due over 1 month but within 3 months	**8,872**	814
Due over 3 months but within 6 months	**399**	249
Due over 6 months	**4,092**	3,463
	44,155	33,600

Notes to the Financial Statements *(Continued)*

22. BANK LOANS AND OVERDRAFTS

At 31 December 2014, bank loans and overdrafts were repayable as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 year or on demand	**506,122**	516,126
After 1 year but within 2 years	**10,037**	4,697
After 2 years but within 5 years	**25,312**	3,929
After 5 years	**15,300**	16,156
	50,649	24,782
	556,771	540,908

At 31 December 2014, bank loans and overdrafts were as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Bank overdrafts *(note 20(a))*		
– Unsecured	**–**	862
– Secured	**597**	24,414
	597	25,276
Bank loans		
– Unsecured	**–**	17,459
– Secured	**556,174**	498,173
	556,174	515,632
	556,771	540,908

At 31 December 2014, an investment property, leasehold land and buildings, inventories and other assets of the Group with aggregate net carrying value of HK$1,779,508,000 (2013: HK$1,577,503,000) were pledged to various banks to secure the bank loans and overdrafts granted to the Group. Details of the secured assets are as follows:

22. BANK LOANS AND OVERDRAFTS *(Continued)*

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Investment properties *(note 12(e))*	**1,548,579**	1,390,178
Land and buildings *(note 12(e))*	**41,783**	43,013
Inventories *(note 18(a))*	**113,248**	76,204
Other assets	**75,898**	68,108
	1,779,508	1,577,503

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's or relevant subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

At 31 December 2014 and 2013, an overseas subsidiary of the Group had failed to fulfill certain financial covenants of a short-term bank loan under a bank loan facility agreement entered into between the subsidiary and a bank amounted to HK$57,001,000 (2013: HK$52,124,000). Such breach entitled the bank to declare the outstanding principal amount, accrued interest and other sums payable under the agreement to become immediately due and payable. Following the application of a waiver of the above breach to the bank, the subsidiary was granted a waiver by the bank on 6 March 2015.

Other than the above, as at 31 December 2014, none of the covenants relating to drawn down facilities has been breached. Further details of the Group's management of liquidity risk are set out in note 29(b).

23. LOAN FROM A DIRECTOR

As at 31 December 2013, the Group had a loan from a director amounted to HK$20,000,000. The loan was interest-bearing at 3% per annum, unsecured and had no fixed terms of repayment. Based on a written declaration from the director on 30 June 2013, the director would not demand for repayment within the twelve months after the prior balance sheet date. The Group settled the loan during the year ended 31 December 2014.

24. INCOME TAX IN THE BALANCE SHEETS

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision for Hong Kong Profits Tax for the year	**–**	128	**–**	–
Provisional Profits Tax paid	**(413)**	(449)	**(37)**	–
Balance of Profits Tax provision relating to prior years	**2,210**	–	**–**	–
	1,797	(321)	**(37)**	–
Provision for tax outside Hong Kong	**2,077**	1,572	**–**	–
	3,874	1,251	**(37)**	–
Representing:				
Tax recoverable	**(413)**	(376)	**(37)**	–
Tax payable	**4,287**	1,627	**–**	–
	3,874	1,251	**(37)**	–

24. INCOME TAX IN THE BALANCE SHEETS *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

The Group

	Depreciation allowances in excess of the related depreciation	Revaluation of land and buildings	Provisions and allowances	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:					
At 1 January 2013	23,232	10,587	(7,665)	(12,219)	13,935
(Credited)/charged to profit or loss *(note 6(a))*	(133)	–	3,717	(2,852)	732
At 31 December 2013	23,099	10,587	(3,948)	(15,071)	14,667
At 1 January 2014	**23,099**	**10,587**	**(3,948)**	**(15,071)**	**14,667**
(Credited)/charged to profit or loss *(note 6(a))*	**(2,312)**	**–**	**279**	**(279)**	**(2,312)**
At 31 December 2014	**20,787**	**10,587**	**(3,669)**	**(15,350)**	**12,355**

Reconciliation to the balance sheet:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the balance sheet	**(3,669)**	(3,948)
Net deferred tax liabilities recognised in the balance sheet	**16,024**	18,615
	12,355	14,667

24. INCOME TAX IN THE BALANCE SHEETS *(Continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group and the Company have not recognised deferred tax assets in respect of cumulative tax losses of HK$490,568,000 (2013: HK$570,321,000) and HK$261,000 (2013: HK$35,000) respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. Tax losses of the Group and Company amounting to HK$72,855,000 (2013: HK$67,139,000) and HK$261,000 (2013: HK$35,000) respectively do not expire under current tax legislation, while the remaining tax losses amounting to HK$417,713,000 (2013: HK$503,182,000) and HK$Nil (2013: HK$Nil) will expire at various dates up to and including 2032 as follows:

	The Group		**The Company**	
	2014	2013	**2014**	2013
Expiring in year:	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
2014	**–**	46,332	**–**	–
2015	**53,947**	41,542	**–**	–
2016	**52,082**	79,732	**–**	–
2017	**117,750**	130,373	**–**	–
2018	**53,387**	56,754	**–**	–
2019	**5,943**	–	**–**	–
2028	**34,109**	47,954	**–**	–
2029	**23,790**	23,790	**–**	–
2030	**29,250**	29,250	**–**	–
2031	**31,629**	31,629	**–**	–
2032	**15,826**	15,826	**–**	–
	417,713	503,182	**–**	–
No expiry date	**72,855**	67,139	**261**	35
	490,568	570,321	**261**	35

25. DEFERRED RENTAL EXPENSES

Deferred rental expenses represent lease incentives received by the Group in respect of operating leases. It is credited to profit or loss in equal instalments over the accounting periods covered by the lease terms.

26. RENTAL DEPOSITS

Rental deposits represent amount of rental deposits received which are expected to be settled after more than one year.

27. ACCRUED EMPLOYEE BENEFITS

	The Group 2014 HK$'000	2013 HK$'000
At 1 January	**337**	1,196
Additional provision made/ (reversal of provision)	**29**	(492)
Provision utilised	**(75)**	(367)
	291	337

Accrued employee benefits represent provision for long service payments in respect of the Group's employees on termination of employment in accordance with the Hong Kong Employment Ordinance.

28. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2013	66,541	109,942	9,347	175,594	733,578	1,095,002
Change in equity for 2013:						
Loss and total comprehensive income for the year	–	–	–	–	(246,458)	(246,458)
Balance at 31 December 2013 and 1 January 2014	**66,541**	**109,942**	**9,347**	**175,594**	**487,120**	**848,544**
Change in equity for 2014:						
Issuance of shares	**28,518**	**75,196**	**–**	**–**	**–**	**103,714**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(30,496)**	**(30,496)**
Balance at 31 December 2014	**95,059**	**185,138**	**9,347**	**175,594**	**456,624**	**921,762**

28. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

The directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK$Nil).

(c) Share capital

	2014 Number of shares '000	**2014** HK$'000	2013 Number of shares '000	2013 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**665,412**	**66,541**	665,412	66,541
Issuance of shares	**285,176**	**28,518**	–	–
At 31 December	**950,588**	**95,059**	665,412	66,541

On 29 January 2014, the Company issued 285,176,397 shares on the basis of three rights shares for every seven existing shares at HK$0.38 per rights share. The net proceeds raised under the rights issue were HK$103.7 million, after deduction of issuing expenses amounted to approximately HK$4.7 million.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

The capital reserve arose from acquisitions of subsidiaries and associates prior to 1 January 2001, where the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition was credited to the capital reserve.

28. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Contributed surplus

The contributed surplus may be utilised in accordance with the Bye-laws and other relevant laws of Bermuda, being the place of incorporation of the Company.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(v) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings set out in note 1(i).

(vi) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in notes 1(f) and 1(m)(i).

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$632,218,000 (2013: HK$662,714,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

28. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management *(Continued)*

The Group monitors its capital structure on the basis of the net debt-to-equity ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables, rental deposits and obligations under finance leases) less cash and cash equivalents.

During 2014, the Group's strategy was to maintain the net debt-to-equity ratio under 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-equity ratios at 31 December 2014 were as follows:

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current liabilities:					
Trade and other payables	*21*	**153,826**	244,870	**2,522**	87,389
Bank loans and overdrafts	*22*	**506,122**	516,126	**–**	–
		659,948	760,996	**2,522**	87,389
Non–current liabilities:					
Bank loans	*22*	**50,649**	24,782	**–**	–
Rental deposits	*26*	**4,800**	2,636	**–**	–
Total debt		**715,397**	788,414	**2,522**	87,389
Less: cash and cash equivalents	*20(a)*	**(94,106)**	(76,347)	**(1,671)**	(408)
Net debt		**621,291**	712,067	**851**	86,981
Total equity		**1,589,610**	1,352,989	**921,762**	848,544
Net debt–to–equity ratio		**39.1%**	52.6%	**0.1%**	10.3%

The Group is subject to the fulfilment of certain covenants which include maintaining its net debt-to-equity ratio below 100%. Except for the above, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, investments in securities and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due within seven to sixty days from the date of billing. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of two to three months' rent are normally required from lessees.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the balance sheet date, the Group has a certain concentration of credit risk as 21.72% (2013: 12.29%) and 31.83% (2013: 21.30%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes.

Placement of bank deposits are normally with counterparties that have sound credit ratings.

Except for the financial guarantees given by the Group as set out in note 31(a), the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees on the balance sheet date is disclosed in note 31(a).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

Notes to the Financial Statements *(Continued)*

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

For the term loans subject to repayment on demand clauses which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke to unconditional rights to call the loans with immediate effect.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

	2014 Total contractual undiscounted cash outflow							2013 Total contractual undiscounted cash outflow						
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Balance sheet carrying amount HK$'000	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Balance sheet carrying amount HK$'000
The Group														
Creditors and accrued charges	-	148,243	-	-	-	148,243	148,243	-	237,196	-	-	-	237,196	237,196
Amount due to a related company	-	878	-	-	-	878	878	-	1,568	-	-	-	1,568	1,568
Rental deposits	-	4,706	1,073	3,727	-	9,506	9,506	-	6,106	1,478	1,158	-	8,742	8,742
Bank overdrafts	597	-	-	-	-	597	597	25,276	-	-	-	-	25,276	25,276
Bank loans	-	382,653	58,043	123,799	17,464	581,959	556,174	-	457,619	8,431	39,634	18,952	524,636	515,632
Loan from a director	-	-	-	-	-	-	-	-	-	20,600	-	-	20,600	20,000
	597	536,480	59,116	127,526	17,464	741,183	715,398	25,276	702,489	30,509	40,792	18,952	818,018	808,414
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	495,567	(371,742)	(47,132)	(95,789)	-	(19,096)		480,091	(446,334)	(3,369)	(33,851)	-	(3,463)	
	496,164	164,738	11,984	31,737	17,464	722,087		505,367	256,155	27,140	6,941	18,952	814,555	
The Company														
Creditors and accrued charges	-	2,522	-	-	-	2,522	2,522	-	87,389	-	-	-	87,389	87,389

As shown in the above analysis, bank loans of the Group amounting to HK$382,653,000 are due to be repaid during 2015. The short-term liquidity risk inherent in this contractual maturity date was addressed at the time the loans were drawn and are accounted for in the Group's cash flow forecasts. The Group will in due course commence refinancing of its bank loans which are due for maturity in December 2015. Based on the Group's past ability to obtain external financing and good relationship with a number of financial institutions, the Group expects to have adequate source of funding to finance and manage its liquidity position.

Notes to the Financial Statements *(Continued)*

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group monitors the level of its net fixed rate and variable rate borrowings and manages the contractual terms of the interest-bearing financial assets and liabilities. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Group's interest rate profile as monitored by management is set out in (i) below.

(i) The following details the interest rate profile of the Group's and the Company's net borrowings (as defined above) at the balance sheet date.

The Group

		2014		2013	
		Effective interest rate	**Amount**	Effective interest rate	Amount
	Note	***%***	***HK$'000***	*%*	*HK$'000*
Fixed rate borrowings:					
Loan from a director	*23*	–	**–**	3.00	20,000
Variable rate borrowings:					
Bank overdrafts	*22*	**5.00**	**597**	5.10	25,276
Bank loans	*22*	**3.23**	**556,174**	2.96	515,632
			556,771		540,908

The Company

The Company did not have any income–earning financial assets or interest–bearing financial liabilities as at 31 December 2014 and 2013.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately HK$4,545,000 (2013: HK$4,417,000). Other components of consolidated equity would not be affected in response to a general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after taxation (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2013.

(d) Foreign currency risk

(i) Currency risk

The Group is exposed to foreign currency risk primarily through sales, purchases and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Renminbi Yuan ("RMB") and Sterling Pounds ("GBP").

The Group's operations outside Hong Kong do not undertake significant transactions in a currency other than their respective functional currencies. Funds are retained by the operations outside Hong Kong for use within the respective operations.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(i) Currency risk (Continued)

	Exposure to foreign currencies					
	2014			2013		
	USD	**RMB**	**GBP**	USD	RMB	GBP
	'000	***'000***	***'000***	*'000*	*'000*	*'000*
Trade and other Receivables	**1,937**	**2,037**	**–**	4,571	2,545	–
Cash and cash equivalents	**1,509**	**9,377**	**1,505**	2,358	6,303	1
Trade and other payables	**(337)**	**(3,081)**	**(6)**	(11,202)	(6,448)	–
Net exposure arising from recognised assets and liabilities	**3,109**	**8,333**	**1,499**	(4,273)	2,400	1
HK$ equivalent	**24,251**	**10,567**	**18,074**	(33,331)	3,044	12

The Company did not have any assets or liabilities denominated in a currency other than the functional currency of the Company.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would have arisen if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies.

The Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after taxation and retained profits** *HK$'000*	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits *HK$'000*
RMB	**5%**	**441**	5%	127
	(5%)	**(441)**	(5%)	(127)
GBP	**5%**	**754**	5%	–
	(5%)	**(754)**	(5%)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis has been performed on the same basis for 2013.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 17). Other than the unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed both in and outside Hong Kong. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

At 31 December 2014, it is estimated that changes in the relevant stock market indices (for listed investments) with all other variables held constant, would have increased/decreased the Group's profit after taxation (and retained profits) and other components of consolidated equity as follows:

	2014			2013		
	Increase/ (decrease) in the relevant risk variable	**Effect on profit after taxation and retained profits**	**Effect on other components of equity**	Increase/ (decrease) in the relevant risk variable	Effect on profit after taxation and retained profits	Effect on other components of equity
		HK$'000	***HK$'000***		*HK$'000*	*HK$'000*
Stock market index in respect of listed investments:						
Dow Jones Index	**8%**	**–**	**–**	26%	–	1,048
	(8)%	**–**	**–**	(26)%	–	(1,048)
Hang Seng Index	**9%**	**–**	**162**	3%	–	18
	(9)%	**–**	**(162)**	(3)%	–	(18)
Bloomberg GCC 200 index	**10%**	**–**	**127**	27%	–	362
	(10)%	**–**	**(127)**	(27)%	–	(362)
Bloomberg GCC 200 Energy index	**13%**	**–**	**202**	49%	–	843
	(13)%	**–**	**(202)**	(49)%	–	(843)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Equity price risk *(Continued)*

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation (and retained profits) and other components of consolidated equity that would have arisen assuming that the changes in the stock market indices had occurred at the balance sheet date and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market indices, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market indices or other relevant risk variables, and that all other variables remain constant. The analysis has been performed on the same basis for 2013.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments 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

Notes to the Financial Statements *(Continued)*

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(f) Fair value measurement *(Continued)*

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

Fair value hierarchy *(Continued)*

	Fair value as at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
	2014	**Level 1**	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
The Group				
Recurring fair value measurements				
Assets:				
Listed available- for-sale securities:				
– equity	**4,549**	**4,549**	**–**	**–**
– debt	**2,445**	**2,445**	**–**	**–**

	Fair value as at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
	2013	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Recurring fair value measurements				
Assets:				
Listed available- for-sale securities:				
– equity	7,669	7,669	–	–
– debt	2,467	2,467	–	–

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

(ii) Fair values of financial instruments carried at other than fair value

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

30. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Contracted for	**650**	3,424

At 31 December 2014 and 2013, the Company did not have any capital commitments.

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	Land and buildings		Others	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**8,518**	8,890	**–**	–
After 1 year but within 5 years	**348**	1,107	**45**	55
	8,866	9,997	**45**	55

At 31 December 2014 and 2013, the Company did not have any commitments under operating leases.

The Group is the lessee in respect of a number of properties and items of equipment under operating leases. The leases typically run for an initial period of one to three years, with an option to renew each lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

Notes to the Financial Statements *(Continued)*

31. CONTINGENT LIABILITIES

At 31 December 2014, there were contingent liabilities in respect of the following:

(a) Financial guarantees issued

The Company has issued guarantees to banks amounting to HK$820,079,000 (2013: HK$719,556,000) to secure banking facilities granted by the banks to subsidiaries.

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

The maximum liability of the Company at the balance sheet date under the guarantees issued is the amount of banking facilities drawn down by the subsidiaries of HK$556,771,000 (2013: HK$540,908,000).

(b) The Inland Revenue Department of Hong Kong ("IRD") has been conducting a review of the operations of certain subsidiaries of the Company in relation to the years since 2004, focusing on certain sales and purchases transactions and intra-group service arrangements amongst these subsidiaries. Certain subsidiaries of the Company received additional or estimated assessments from the IRD in respect of the years of assessment from 2004/05 to 2008/09. The taxes demanded under the additional or estimated assessments amounted to HK$24,226,833 in aggregate. The relevant subsidiaries have submitted objections against the additional or estimated assessments from the IRD.

During 2014, the relevant subsidiaries have submitted the required information to the IRD and provided justifications for the tax treatment adopted. Having taken the advice from the Group's tax advisor and on an entirely without prejudice basis, the Group submitted a settlement proposal in March 2015 to the IRD in order to expedite the finalisation of the review. In this regard, the directors of the Company had made a provision of HK$3.5 million in the consolidated financial statements for the year ended 31 December 2014. Owing to the uncertainty inherent in IRD enquiries of this nature, the conclusion to be made by the IRD may result in an impact to the Group's Hong Kong Profits Tax provision in the period in which conclusion is made.

32. LITIGATION

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

The plaintiff has sought to enforce the Judgement in the courts of Hong Kong, England and Wales, and Bermuda. The Company and the plaintiff subsequently entered into negotiations for the full and final settlement and disposal of all proceedings relating to the enforcement of the Judgement. Agreement was reached in May 2014 and the Company made the payment of HK$91,356,000 to the plaintiff to settle the case completely. A charge of HK$5,111,000, in addition to the provisions already made in prior years, was recognised and included in "Other operating expenses" in the consolidated income statement for the year ended 31 December 2014.

33. EMPLOYEE RETIREMENT BENEFITS

In Hong Kong, the Group operates a defined contribution pension scheme ("ORSO scheme") for all qualifying employees. Effective from 1 December 2000, all Hong Kong based employees were also covered under a Mandatory Provident Fund ("MPF") scheme, and the existing ORSO scheme was modified to provide extra benefits for existing and new employees. The amounts of employer's and employees' contributions to the ORSO scheme are reduced by the amount required to be paid to the MPF scheme. The contributions to the ORSO scheme are supplementary contributions, over and above the minimum MPF requirements. The assets of the ORSO scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the ORSO scheme, the employees are required to make contributions to the ORSO scheme calculated at 5% of their basic salaries on a monthly basis whilst the employer's contributions vary with the number of years of service of the employees from 5% to 10% of the basic monthly salary. The employees are entitled to 100% of the employer's contributions to the ORSO scheme and the accrued interest after 10 complete years' service, or at an increasing scale of between 50% to 90% after completion of 5 to 9 years' service.

Where there are employees who leave the ORSO scheme prior to vesting fully in the contributions, in accordance with the rules of the ORSO scheme, the forfeited employer's contributions shall be used to reduce the future contributions of the employer.

Under the Hong Kong Employment Ordinance, the Group and the Company are obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group and the Company. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the retirement schemes of the Group and the Company that are attributable to contributions made by the Group and the Company.

33. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

Subsidiaries incorporated in the PRC participate in the defined contribution retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred.

Under the PRC Labour Contract Law, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees. The amount payable is dependent on the employees' final salary and years of service.

Employees in the United States of America are covered by a profit sharing plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides for contributions from both the employer and eligible employees. Employer's contributions are voluntary and are determined each year at the discretion of management.

As regards employees in Europe, contributions are made by the employer to a money purchase defined contribution pension scheme for certain of its employees. The assets of the scheme are held separately by an independent administered fund.

34. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Remuneration for key management personnel of the Group are disclosed in notes 7 and 8 to the financial statements.

(b) As at 31 December 2014, the Group advanced funds totalling HK$36,829,000 (2013: HK$35,462,000) to certain associates in which certain directors of the Company have beneficial interests. Further details of the associates are given in note 16 to the financial statements.

(c) During the year ended 31 December 2014, the Group sold OEM products to an associate amounted to HK$11,024,000 (2013: HK$20,335,000).

(d) On 12 December 2013, the Company appointed Platinum Securities Company Limited ("Platinum Securities") as the financial advisor and sole underwriter to a rights issue. In addition, on 16 December 2013, the Company appointed Platinum Broking Company Limited ("Platinum Broking") as the matching agent for the odd lots of the rights shares at nil consideration. Both Platinum Securities and Platinum Broking are controlled by Mr. Liu Chee-ming, a Non-executive Director of the Company. The payment of underwriting commission and financial advisory fee to Platinum Securities amounted to approximately HKD3,000,000 in aggregate. The rights issue was completed on 29 January 2014 and details of these were set out in the prospectus issued by the Company on 7 January 2014.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group believes the following critical accounting policies involves the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment

If circumstances indicate that the carrying value of fixed assets, intangible assets, inventories and receivables may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36, *Impairment of assets*. The carrying amounts of fixed assets, intangible assets, inventories and receivables are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of fixed assets, inventories and intangible assets is the greater of its fair value less cost of disposal and the value in use. The recoverable amount of receivables is the estimated future cash flows discounted at the current market rate of return of similar assets. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of sales volumes, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes, selling prices and the amount of operating costs.

(b) Taxation and indirect taxes and duties

Determining the provision for income tax, indirect taxes and duties involves judgement, including the interpretation and application of tax and other legislation, on the future treatment of certain transactions. The Group carefully evaluates the tax and other implication of transactions and provisions are set up accordingly. The treatment of such transactions is reconsidered periodically to take into account all changes in, including interpretation of, tax and other legislation. Where the final outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the provision in the period in which such determination is made.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

(c) Valuation of investment properties

The fair value for the Group's investment properties is calculated by an independent firm of surveyors by either making reference to comparable sales evidence in the relevant locality, or otherwise, by capitalising the current rent derived from the existing tenancies with provision for any reversionary income potential. The valuation model used by the property valuer makes use of market inputs. Should changes be made to the market inputs, the corresponding investment property valuations would change.

(d) Going concern basis of preparation of financial statements

The directors have prepared the financial statements on a going concern basis notwithstanding the Group's net current liabilities of HK$94,064,000 (2013: HK$197,985,000) and the Company's net current liabilities of HK$475,000 (2013: HK$86,550,000) as at 31 December 2014, because the directors are of the opinion that, based on a cash flow forecast of the Group and the Company for the year ending 31 December 2015, the Group and the Company would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the balance sheet date. The cash flow forecast assumes the Group and the Company will be able to secure ongoing support from the Group's bankers including the continuing provision of existing loans to the Group at similar terms and the Group will also be able to generate sufficient cash flows from future operations to cover operating costs and to meet financing commitments.

Discontinuation of ongoing support from the Group's bankers and significant deviation in the estimates adopted in the Group's cash flow forecast may affect the conclusion that the Group and the Company are able to continue as a going concern and, therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to HKFRSs 2010–2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011–2013 cycle	1 July 2014
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Principal Subsidiaries

At 31 December 2014

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activity
				The Company	A subsidiary	
Bachmann Asia Limited	Hong Kong	Hong Kong	2 shares	–	100%	Agent for sale of toys
Bachmann (China) Limited	PRC	Hong Kong	10,000 shares	–	100%	Trading of toys
Bachmann Europe Plc	UK	UK	2,050,000 shares of £1 each	100%	–	Trading of toys
Bachmann Industries, Inc.	United States of America ("USA")	USA	4,010,100 shares of US$1 each	–	100%	Trading of toys
Deltahill Company Limited	Hong Kong	Hong Kong	100 shares and 1,001,000 non–voting deferred shares	–	100%	Provision of management services
Dongguan Feng Da Electronics Company Limited *(Note 1)*	PRC	PRC	Registered capital HK$8,000,000	–	100%	Manufacture of toys
Dongguan Kader Electronics Company Limited *(Note 2)*	PRC	PRC	Registered capital HK$10,000,000	–	100%	Manufacture of toys
Globe Fame Group Limited	British Virgin Islands ("BVI")	BVI	1 share of US$1	100%	–	Investment holding
Kader Industrial Company Limited	Hong Kong	Hong Kong	412,532,000 shares	100%	–	Manufacture and trading of toys, and property investment
K Cellars (Hong Kong) Limited	Hong Kong	Hong Kong	1,000 shares	–	100%	Sub–letting of wine cellar
Precise Moulds (Dongguan) Company Limited (Hop Pong) *(Note 2)*	PRC	PRC	Registered capital RMB$4,800,000	–	52%	Manufacture and sale of moulds

Principal Subsidiaries *(Continued)*

At 31 December 2014

Name of company	Place of operation	Place of incorporation/ establishment	Particulars of issued and paid up capital (all being ordinary shares except where otherwise stated)	Proportion of ownership interest held by		Principal activity
				The Company	A subsidiary	
Sanda Kan (Cayman III) Holdings Company Limited	Cayman Island	Cayman Island	1,000,000 shares of US$0.01 each	100%	–	Investment holding
Sanda Kan (Mauritius) Holdings Company Limited	The Republic of Mauritius	The Republic of Mauritius	100 shares of US$0.01 each	–	100%	Investment holding
Sanda Kan Industrial Company Limited	Cayman Island	Cayman Island	1 share of US$0.01	–	100%	Trading of toys
Sanda Kan Industrial Hong Kong Limited	Hong Kong	Hong Kong	100 shares	–	100%	Trading of toys
Sanda Kan Industrial (Dongguan) Company Limited *(Note 1)*	PRC	PRC	Registered and fully paid–up capital of US$7,520,000	–	100%	Manufacture of toys
Sanda Kan Technology (Shenzhen) Company Limited *(Note 1)*	PRC	PRC	Registered capital US$11,000,000 and paid–up capital of US$9,600,000	–	100%	Manufacture of toys
SDK Services Limited	Hong Kong	Hong Kong	100 shares	–	100%	Provision of administrative services
Technic International Development Limited	Hong Kong	Hong Kong	1 share	–	100%	Investment holding
Tinco Toys Company Limited	Hong Kong	Hong Kong	2 shares	–	100%	Investment holding, manufacture and trading of soft toys

Notes:

1. These companies are wholly foreign owned enterprises registered in the PRC.

2. These companies are co-operative joint ventures registered in PRC.

Group Properties

Details of the major property of the Group are as follows:

Location	Existing use	Term of lease
Major property held for investment		
Whole of Ground, First, Second, Third, Fourth Floors, a portion of Fifth Floor, the whole of Sixth, Seventh, Eighth, Ninth, Tenth Floors, a portion of Eleventh Floor, Kader Building, 22 Kai Cheung Road Kowloon Bay, Kowloon HONG KONG	Industrial and office rental	Medium-term

Five-Year Summary

CONSOLIDATED INCOME STATEMENT

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	*HK$'000*	*HK$'000*
Turnover	**825,229**	927,773	1,251,061	1,299,487	1,600,246
Profit/(loss) from operations	**4,284**	(60,981)	(97,443)	(113,829)	76,320
Finance costs	**(17,106)**	(15,434)	(13,337)	(9,799)	(7,880)
Share of profits less losses of associates	**3,716**	3,263	(3,373)	(20,882)	(5,598)
Reversal of impairment/(impairment) of loans to an associate	**1,883**	–	(3,897)	–	–
Surplus on revaluation of investment properties	**156,860**	129,058	300,169	188,742	103,208
Net (loss)/gain on disposal of investment properties	**–**	–	–	(80)	31,220
Profit before taxation	**149,637**	55,906	182,119	44,152	197,270
Income tax	**(2,027)**	(1,073)	(15,218)	3,150	(27,040)
Profit for the year	**147,610**	54,833	166,901	47,302	170,230
Attributable to:					
Equity shareholders of the Company	**145,840**	50,930	164,585	49,271	175,439
Non-controlling interest	**1,770**	3,903	2,316	(1,969)	(5,209)
Profit for the year	**147,610**	54,833	166,901	47,302	170,230
Earnings per share *(Note)*					
Basic	**15.69¢**	7.44¢	24.03¢	7.19¢	25.61¢
Diluted	**15.69¢**	7.44¢	24.03¢	7.19¢	25.61¢

Note: Earnings per share for 2010 to 2013 have been restated to take into account the effect of rights issue completed in January 2014.

Five-Year Summary *(Continued)*

CONSOLIDATED BALANCE SHEET

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities					
Fixed assets	**1,720,370**	1,582,653	1,441,060	1,133,505	943,072
Intangible assets	**2,595**	3,744	4,734	634	667
Interests in associates	**25,206**	20,025	11,620	20,916	25,376
Other non-current financial assets	**6,994**	10,136	10,537	15,653	15,488
Deferred tax assets	**3,669**	3,948	7,736	18,240	20,071
Non-current assets	**1,758,834**	1,620,506	1,475,687	1,188,948	1,004,674
Net current (liabilities)/assets	**(94,064)**	(197,985)	(137,283)	(14,369)	165,670
Total assets less current liabilities	**1,664,770**	1,422,521	1,338,404	1,174,579	1,170,344
Non-current liabilities	**(75,160)**	(69,532)	(44,959)	(58,867)	(71,237)
NET ASSETS	**1,589,610**	1,352,989	1,293,445	1,115,712	1,099,107
CAPITAL AND RESERVES					
Share capital	**95,059**	66,541	66,541	66,541	66,541
Reserves	**1,494,189**	1,282,608	1,227,162	1,051,737	1,033,396
Total equity attributable to equity shareholders of the Company	**1,589,248**	1,349,149	1,293,703	1,118,278	1,099,937
Non-controlling interests	**362**	3,840	(258)	(2,566)	(830)
TOTAL EQUITY	**1,589,610**	1,352,989	1,293,445	1,115,712	1,099,107