KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

ANNUAL REPORT 2015

(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 have pleasure in presenting 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 2015.

On behalf of the Board of Directors (the "Board") of the Company, the Group's revenue for the financial year ended 31 December 2015 amounted to approximately HK$893.45 million, representing an increase of approximately 8.27% over that reported last year and that profit from operations for 2015 amounted to approximately HK$115.44 million as compared to last year's profit from operations of approximately HK$4.28 million. The Group's profit attributable to shareholders for the financial year ended 31 December 2015 was approximately HK$124.34 million, which included valuation gains on investment properties amounting to approximately HK$48.89 million, as compared to last year's profit attributable to shareholders of approximately HK$145.84 million which included valuation gains on investment properties of approximately HK$156.86 million.

The Directors recommend the payment of a final dividend of HK1.5 cents per ordinary share (2014: HK$Nil) for the year ended 31 December 2015 payable on 23 June 2016 to those shareholders whose names appear on the Register of Members of the Company as at the close of business on 15 June 2016 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

With the steady recovery of the global economy and the dedicated contribution from our management team and staff, the Group achieved profit from operations of HK$115.44 million in 2015 as compared to that of HK$4.28 million in 2014. To sustain the business growth in the long run, the Group will continue to enhance the development of its core business by means of building up sales channels, developing own brand products, exploring sales opportunities in the global market, etc. In relation to cost control, the Group will continue to streamline the operational procedures to enhance the efficiency and implement various measures to minimize the costs. With the above measures and the experienced and dedicated management team, the Group is optimistic to deliver attractive returns to the shareholders in the future.

The Group has the intention to revitalize the investment properties where our head office currently situate and has commenced initial procedures towards implementing the same. The revitalization will increase the value of the investment properties and the rental income in the future.

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, 30 March 2016

Management Discussion and Analysis

RESULTS

The Board announces that the Group's revenue for the financial year ended 31 December 2015 amounted to approximately HK$893.45 million, representing an increase of approximately 8.27% over that reported last year and that profit from operations for 2015 amounted to approximately HK$115.44 million as compared to last year's profit from operations of approximately HK$4.28 million. The Group's profit attributable to shareholders for the financial year ended 31 December 2015 was approximately HK$124.34 million, which included valuation gains on investment properties amounting to approximately HK$48.89 million, as compared to last year's profit attributable to shareholders of approximately HK$145.84 million which included valuation gains on investment properties of approximately HK$156.86 million.

BUSINESS REVIEW

With the steady recovery of the global economy in 2015 and the implementation of restructuring plans, the Group achieved a satisfactory result for 2015. The Group will continue to explore sales opportunities in the global market, implement various measures to increase efficiency and strengthen the cost control measures so as to sustain the business growth in the long run.

Toys and Model Trains

For the financial year ended 31 December 2015, the revenue was approximately HK$845.45 million, representing an increase of approximately 7.82% as compared to last year.

The Group will continue to manufacture high quality products with competitive prices to increase the revenue 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 2015, our subsidiary, Bachmann Europe Plc. ("BEP") has received the 2014 overall "Manufacturer of the Year" award for seven continuous years from the RM Web – Model Rail – MRE Mag competition. In addition, BEP has received 2015 "Overall Manufacturer of the Year" in the "British Model Rail Awards".

Property Investment

For the financial year ended 31 December 2015, the Group's rental income amounted to approximately HK$48.00 million, representing an increase of approximately 16.85% over the previous year. In addition, the Group recorded valuation gains of approximately HK$48.89 million on its investment properties for the year, as compared to last year's valuation gains of approximately HK$156.86 million.

During the year under review, the occupancy rate of its investment properties is above 90%.

RISKS AND UNCERTAINTIES

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

Business Risk

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

Interest Rate Risk

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

Liquidity risk

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

Customer risk

The sales to one of the Group's customers represented approximately 50% of the Group's sales in 2015. The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk.

Management Discussion and Analysis *(Continued)*

Foreign Exchange Rate Risk

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

ENVIRONMENTAL POLICY

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

1. Chemical wastes produced by the production plants are collected and treated properly by licensed waste collectors.

2. Lightings and electrical appliances are switched off when unnecessary.

3. Some traditional vehicles are replaced by hybrid vehicle and electric vehicle.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2015, the Group's net asset value per share was approximately HK$1.81 (2014: approximately HK$1.67). The Group had net current assets of approximately HK$28.86 million (2014: net current liabilities of approximately HK$94.06 million). Total bank borrowings were approximately HK$366.70 million (2014: approximately HK$556.77 million) while the Group secured total banking facilities of approximately HK$839.35 million (2014: approximately HK$801.17 million). Included in total bank borrowings were revolving loans of approximately HK$240.74 million (2014: approximately HK$400.00 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 21.35% (2014: approximately 35.03%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks to increase the banking facilities for working capital needs, if necessary.

At 31 December 2015 and 2014, 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$4,736,000 (2014: HK$57,001,000). 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. Other than the above, as at 31 December 2015, none of the covenants relating to drawn down facilities has been breached.

Capital Structure

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

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$103.70 million, after deduction of issuing expenses amounted to approximately HK$4.70 million. Details of the rights issue were set out in the announcement and the prospectus issued by the Company on 12 December 2013 and 7 January 2014 respectively.

Charges on Group Assets

As at 31 December 2015, investment properties, certain leasehold land and buildings, inventories and other assets of the Group with a net book value of approximately HK$1,817.37 million (2014: approximately HK$1,779.51 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 2015.

Management Discussion and Analysis *(Continued)*

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed 3,130 (2014: 3,526) full time management, administrative and production staff in Hong Kong Special Administrative Region, Mainland China, the US and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

With gradual recovery of the global economy and devoted management team, the Group is optimistic about its prospects in the near future. Besides, the Group has the intention to revitalize the investment properties and has commenced initial procedures towards implementing the same. The revitalization will enhance the Group's source of revenue and profitability.

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

Hong Kong, 30 March 2016

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. The Company has adopted and applied a corporate governance policy. Throughout the year ended 31 December 2015, 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 risk management and 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.

Corporate Governance Report *(Continued)*

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	4/4	–	–	–	1/1
Non-executive Directors					
Mr. Ivan Ting Tien-li	4/4	–	–	–	0/1
Dr. Moses Cheng Mo-chi	4/4	2/2	–	–	0/1
Mr. Liu Chee-ming	3/4	1/2	–	–	0/1
Mr. Bernie Ting Wai-cheung	4/4	–	–	–	0/1
Independent Non-executive Directors					
Mr. Floyd Chan Tsoi-yin	4/4	1/2	1/1	1/1	0/1
Mr. Andrew Yao Cho-fai *(Remuneration Committee Chairman)*	4/4	2/2	1/1	–	0/1
Mr. Desmond Chum Kwan-yue *(Audit Committee Chairman)*	4/4	2/2	–	1/1	1/1
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 a 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 2015 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 risk management and 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, risk management and internal control systems;

2. Discussing with management the system of risk management and internal control to ensure that management has performed its duty to have an effective risk management and 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 risk management and internal control matters as delegated by the Board or on its own initiative and management's response;

4. Ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;

5. 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;

6. Reviewing the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

7. Ensuring that the Board provided a timely response to the issues raised in the external auditor's management letter; and

8. 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 10 June 2015, 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 2015 are as follows:

Service rendered	**Fees paid/payable** *HK$'000*
Audit services	2,845
Tax services	426
	3,271

In addition, certain subsidiaries were audited by other auditors for the year ended 31 December 2015 and the related fees amounted to HK$1,249,000.

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 New 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.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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 risk management and internal control system, 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 risk management and 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. Shareholders may 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.

Enquiries may be put to the Board through the Company Secretary by post at the principal place of business of the Company.

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 2015, 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 have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2015.

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 10 to the financial statements.

SUBSIDIARIES

Particulars of the Company's major subsidiaries at 31 December 2015 are set out in note 14 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 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 113.

BUSINESS REVIEW

A business review of the Group is provided in the Management Discussion and Analysis on pages 4 to 8. An analysis of the Group's performance using financial key performance indicators is provided in the Five-Year Summary on pages 115 to 116. No important events affecting the Group have occurred since the end of the financial year under review.

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 115 to 116 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26(c) to the financial statements.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of approximately HK$124,339,000 (2014: approximately HK$145,840,000) 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 recommend the payment of a final dividend of HK1.5 cents per ordinary share (2014: HK$Nil) for the year ended 31 December 2015 payable on 23 June 2016 to those shareholders whose names appear on the Register of Members of the Company as at the close of business on 15 June 2016 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

DONATIONS

Donations made by the Group during the year for charitable and other purposes amounted to approximately HK$318,000 (2014: HK$317,000).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 11 to the financial statements.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2015 are set out in note 21 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 30 to the financial statements.

PROPERTY

Particulars of the property of the Group are shown on page 114 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:

	2015	2014
	%	%
Purchases		
– the largest supplier	**24**	19
– five largest suppliers combined	**50**	41
Sales		
– the largest customer	**50**	37
– five largest customers combined	**62**	50

Report of the Directors *(Continued)*

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.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2015 are set out in note 31 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.

The Directors of the Company shall retire by rotation in accordance with the Company's Bye-laws 109(A) and 189(ix). The retiring Directors shall be eligible 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 73, 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, The Federation of HK Jiangsu Community Organisation, 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 68, 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 40, 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 66, 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 a consultant 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 Beer (Holdings) Company 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. 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 65, 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.

Mr. Liu was appointed as an Independent Supervisor of the Supervisory Committee of Dalian Wanda Commercial Properties Co., Ltd. (a company listed in Hong Kong) in May 2015 and was appointed as a Non-executive Director of STT GDC Pte. Ltd. in October 2015, a company is incorporated in Singapore. He 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 Ltd., 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 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. He is currently a Governor of the Singapore International School (Hong Kong).

Mr. Bernie Ting Wai-cheung, aged 50, 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 to 2015 and became the Vice President of Asian Committee of Toy Industries in January 2016. 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 72, 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 50, 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 Hong Kong Shanghai Alliance Holdings Limited (formerly 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, Vice Chairman of Shanghai Chinese Overseas Friendship Association, 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 43, was appointed as an Independent Non-executive Director of the Company in March 2009. 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 67, 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 in 2004, 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 2015, 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	Number of ordinary shares of HK$0.10 each Personal interests	Family interests	Corporate interests	Total interests	% of total issued share capital
Kenneth Ting Woo-shou	294,715,941	2,075,183 (i)	258,963,571 (ii)	555,754,695	58.46%
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 corporations	Beneficial interests	Class of shares	Number of shares held Personal interests	Family interests	Corporate interests	% of interests in associated corporations
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)	-	-	-	13.00% (v)

Report of the Directors *(Continued)*

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 2015, 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 2015, 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 2015, substantial shareholders and 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				
Substantial shareholders and other persons	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**% of total issued share capital**
Forest Crimson Limited	–	–	209,671,000 (i)	209,671,000	22.06%
Ting Hok-shou	13,800,238	571,429 (ii)	39,098,281 (iii)	53,469,948	5.62%
Emily Tsang Wing-hin	571,429	13,800,238 (iv)	39,098,281 (iii)	53,469,948	5.62%

Notes:

(i) Included in the "Corporate Interests" above was 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Forest Crimson Limited has a controlling interest through Border Shipping Limited.

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

(iii) Included in the "Corporate Interests" above were 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.

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

Save as disclosed above, as at 31 December 2015, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance 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 1,800 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, 30 March 2016

Independent Auditor's Report

To the members 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 113, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	3, 10	**893,447**	825,229
Other revenue	4(a)	**16,442**	16,730
Other net loss	4(b)	**(7,701)**	(1,939)
Changes in inventories of finished goods and work in progress		**28,626**	15,652
Cost of purchase of finished goods		**(26,142)**	(21,523)
Raw materials and consumables used		**(217,244)**	(206,608)
Staff costs	5(b)	**(294,529)**	(302,550)
Depreciation	11	**(33,980)**	(35,736)
Other operating expenses		**(243,476)**	(284,971)
Profit from operations		**115,443**	4,284
Finance costs	5(a)	**(14,444)**	(17,106)
Share of profits less losses of associates	15	**4,205**	3,716
Reversal of impairment of loans to an associate	15	**1,566**	1,883
Surplus on revaluation of investment properties	11	**48,885**	156,860
Profit before taxation	5	**155,655**	149,637
Income tax expense	6	**(29,132)**	(2,027)
Profit for the year		**126,523**	147,610
Attributable to:			
Equity shareholders of the Company		**124,339**	145,840
Non-controlling interests		**2,184**	1,770
Profit for the year		**126,523**	147,610
Earnings per share	9		
Basic		**13.08¢**	15.69¢
Diluted		**13.08¢**	15.69¢

The notes on pages 37 to 113 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 26(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Profit for the year		**126,523**	147,610
Other comprehensive income for the year (after tax and reclassification adjustments)			
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		**3,558**	(6,025)
Available-for-sale securities:			
– changes in fair value during the year		**(372)**	(333)
– reclassification adjustments for amounts transferred to profit or loss	*4(b)*	**(35)**	(2,067)
Total comprehensive income for the year		**129,674**	137,214
Attributable to:			
Equity shareholders of the Company		**127,765**	136,385
Non-controlling interests		**1,909**	829
Total comprehensive income for the year		**129,674**	137,214

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

The notes on pages 37 to 113 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2015

	Note	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000
Non-current assets			
Investment properties	11	**1,558,749**	1,548,579
Other property, plant and equipment	11	**147,727**	171,606
Construction in progress	12	**–**	185
		1,706,476	1,720,370
Intangible assets	13	**1,548**	2,595
Interest in associates	15	**40,643**	25,206
Other non-current financial assets	16	**4,036**	6,994
Deferred tax assets	22(b)	**8,836**	3,669
		1,761,539	1,758,834
Current assets			
Inventories	17(a)	**319,800**	310,547
Current tax recoverable	22(a)	**281**	413
Loans to an associate	15	**27,678**	22,723
Trade and other receivables	18	**116,299**	142,382
Cash and cash equivalents	19(a)	**59,260**	94,106
		523,318	570,171
Current liabilities			
Trade and other payables	20	**136,938**	153,826
Bank loans and overdrafts	21	**329,405**	506,122
Current tax payable	22(a)	**28,115**	4,287
		494,458	664,235
Net current assets/(liabilities)		**28,860**	(94,064)

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2015

	Note	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Total assets less current liabilities		**1,790,399**	1,664,770
Non-current liabilities			
Bank loans	21	**37,298**	50,649
Deferred rental expenses	23	**3,628**	3,396
Rental deposits	24	**8,558**	4,800
Deferred tax liabilities	22(b)	**23,155**	16,024
Accrued employee benefits	25	**302**	291
		72,941	75,160
NET ASSETS		**1,717,458**	1,589,610
CAPITAL AND RESERVES			
Share capital	26(c)	**95,059**	95,059
Reserves		**1,621,954**	1,494,189
Total equity attributable to equity shareholders of the Company		**1,717,013**	1,589,248
Non-controlling interests		**445**	362
TOTAL EQUITY		**1,717,458**	1,589,610

Approved and authorised for issue by the Board of Directors on 30 March 2016

Kenneth Ting Woo-shou
Director

Nancy Ting Wang Wan-sun
Director

The notes on pages 37 to 113 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Land and buildings revaluation reserve HK$'000	Fair value reserve HK$'000	Revenue reserve HK$'000	Total HK$'000	Non–controlling interest HK$'000	Total equity HK$'000
Balance at 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	*26(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 and 1 January 2015		**95,059**	**185,138**	**10,815**	**173,397**	**(60,779)**	**62,667**	**(372)**	**1,123,323**	**1,589,248**	**362**	**1,589,610**
Changes in equity for 2015:												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**124,339**	**124,339**	**2,184**	**126,523**
Other comprehensive income		**–**	**–**	**–**	**–**	**3,833**	**–**	**(407)**	**–**	**3,426**	**(275)**	**3,151**
Total comprehensive income		**–**	**–**	**–**	**–**	**3,833**	**–**	**(407)**	**124,339**	**127,765**	**1,909**	**129,674**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,826)**	**(1,826)**
Balance at 31 December 2015		**95,059**	**185,138**	**10,815**	**173,397**	**(56,946)**	**62,667**	**(779)**	**1,247,662**	**1,717,013**	**445**	**1,717,458**

The notes on pages 37 to 113 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Cash generated from/(used in) operations	19(b)	**207,439**	(41,700)
Tax paid:			
Hong Kong Profits Tax paid		**(2,102)**	(79)
Hong Kong Profits Tax refunded		**7**	–
Tax outside Hong Kong paid		**(1,109)**	(1,621)
Net cash generated from/(used in) operating activities		**204,235**	(43,400)
Investing activities			
Payment for the purchase of property, plant and equipment		**(22,836)**	(23,457)
Payment for construction in progress		**–**	(185)
Proceeds from sale of available-for-sale securities		**2,586**	3,948
Payment for purchase of available-for-sale securities		**–**	(1,139)
Proceeds from disposal of property, plant and equipment		**544**	313
Interest received		**1,488**	1,353
Increase in investment in an associate		**(9,112)**	(98)
(Increase)/decrease in amounts due from associates		**(2,087)**	1,548
(Increase)/decrease in loans to an associate		**(3,389)**	616
Deregistration of a non-wholly owned subsidiary		**–**	(2,798)
Net cash used in investing activities		**(32,806)**	(19,899)
Dividends paid to non-controlling interests		**(1,826)**	(1,509)
Proceeds from new bank loans		**408,783**	806,937
Repayment of bank loans		**(598,113)**	(766,175)
Proceeds from loan from a director		**–**	50,000
Repayment of loan from a director		**–**	(70,000)
Interest paid		**(14,444)**	(17,106)
Proceeds from issue of shares		**–**	103,714
Net cash (used in)/generated from financing activities		**(205,600)**	105,861
Net (decrease)/increase in cash and cash equivalents		**(34,171)**	42,562
Cash and cash equivalents at 1 January		**93,509**	51,071
Effect of foreign exchange rate changes		**(78)**	(124)
Cash and cash equivalents at 31 December	19(a)	**59,260**	93,509

The notes on page 37 to 113 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 and the disclosure requirements of the Hong Kong Companies 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 2015 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.

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 33.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

Non-controlling interests are presented in the consolidated statement of financial position 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 statement of profit or loss and the consolidated statement of profit or loss and other 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 statement of financial position, an interest in a subsidiary is stated at cost less any impairment losses (see note 1(m)(ii)).

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 statement of profit or loss, 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 profit or loss and other comprehensive income.

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 statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(m)(ii)).

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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 the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss and 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 statement of financial position 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

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.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period 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 end of the reporting period 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 profit or loss and 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.

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 property, plant and equipment under construction and equipment pending installation and is initially recognised in the statement of financial position 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 property, plant and equipment 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 statement of financial position 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 property, plant and equipment 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 the end of each reporting period 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.

Notes to the Financial Statements *(Continued)*

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 profit or loss and 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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 statement of financial position.

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.

- 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).

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– 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)).

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 profit or loss and other comprehensive income and not profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 profit or loss and other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in profit or loss and 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 end of the reporting period, 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period 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.

Notes to the Financial Statements *(Continued)*

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

(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.

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

(i) Financial guarantees issued (Continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

(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.

(v) 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 end of the reporting period. 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies *(Continued)*

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. Statements of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in profit or loss and 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties *(Continued)*

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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 that are first effective for the current accounting period of the Group:

– *Annual Improvements to HKFRSs 2010-2012 Cycle*

– *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. REVENUE

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

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

	2015	2014
	HK$'000	*HK$'000*
Sales of goods	**845,453**	784,144
Gross rentals from investment properties	**47,994**	41,085
	893,447	825,229

The Group's customer base is diversified and includes one (2014: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2015, revenue from sales of toys and model trains to this customer (2014: one), including sales to entities which are known to the Group to be under common control of these customers, amounted to approximately HK$425,275,000 (2014: HK$293,293,000) and arose in the North America (2014: 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 27(a).

Further details regarding the Group's principal activities are disclosed in note 10 to these financial statements.

4. OTHER REVENUE AND NET LOSS

	2015	2014
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income from loans to an associate	**1,153**	1,044
Interest income from available-for-sale debt securities	**121**	141
Other interest income	**214**	168
	1,488	1,353
Air conditioning, management and maintenance service charges from tenants	**6,612**	6,774
Material charges	**627**	3,258
Written back of trade and other payables	**3,369**	–
Others	**4,346**	5,345
	16,442	16,730

	2015	2014
	HK$'000	*HK$'000*
(b) Other net loss		
Net gain on disposal of property, plant and equipment	**154**	78
Net exchange loss	**(7,890)**	(4,084)
Available-for-sale equity securities: reclassified from equity on disposal	**35**	2,067
	(7,701)	(1,939)

5. PROFIT BEFORE TAXATION

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

	2015	2014
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans and other borrowings	**14,444**	16,326
Interest on loan from a director	**–**	780
	14,444	17,106
(b) Staff costs		
Salaries, wages and other benefits	**273,633**	289,725
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK$99,000 (2014: HK$123,000)	**20,896**	12,825
	294,529	302,550

5. PROFIT BEFORE TAXATION *(Continued)*

	2015 HK$'000	2014 HK$'000
(c) Other items		
Amortisation of intangible assets *(note 13)*	**980**	1,054
Depreciation *(note 11)*		
– owned assets	**33,980**	35,736
Impairment losses		
– property, plant and equipment *(note 11)*	**48,601**	6,474
– trade receivables *(note 18(b))*	**305**	5,326
	48,906	11,800
Operating lease charges		
– rental of land and buildings	**24,960**	30,026
– other rentals	**75**	81
	25,035	30,107
Auditors' remuneration		
– audit services	**4,094**	4,020
– tax services	**426**	497
	4,520	4,517
Cost of inventories *(note 17(b))*	**560,494**	553,476
Rental receivable from investment properties less direct outgoings of HK$3,329,000 (2014: HK$2,865,000)	**(44,665)**	(38,220)

Cost of inventories includes HK$247,908,000 (2014: HK$205,975,000) relating to staff costs, depreciation charges, impairment loss in respect of property, plant and equipment and operating lease charges, which amount is also included in the respective total amounts disclosed separately above and in the consolidated statement of profit or loss for each of these types of expenses.

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

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

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**10,740**	–
(Over)/under-provision in respect of prior years	**(10)**	2,211
	10,730	2,211
Current tax – Outside Hong Kong		
Provision for the year	**16,427**	1,123
Under-provision in respect of prior years	**11**	1,005
	16,438	2,128
Deferred tax *(note 22(b))*		
Origination and reversal of temporary differences	**1,964**	(2,312)
	29,132	2,027

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 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% (2014: 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 2015, the British Government announced a reduction in the corporation tax rate applicable to the Group's operations in the United Kingdom (the "UK") from 21.5% to 20.25% (2014: 23.0% to 21.5%). 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 2015 were calculated using a tax rate of 20.25% (2014: 21.5%).

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

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

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation	**155,655**	149,637
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**30,506**	22,921
Tax effect of non-deductible expenses	**5,046**	15,815
Tax effect of non-taxable income	**(11,503)**	(35,093)
Tax effect of previously unrecognised tax losses utilised	**(1,528)**	(11,902)
Tax effect of unused tax losses not recognised	**6,610**	7,070
Under-provision in prior years	**1**	3,216
Actual tax expense	**29,132**	2,027

Notes to the Financial Statements *(Continued)*

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015				
	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' EMOLUMENTS (Continued)

	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

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2014: one) is a director whose emolument is set out in note 7. The aggregate of the emoluments in respect of the other four (2014: four) individuals are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other emoluments	**6,692**	6,572
Retirement scheme contributions	**327**	325
	7,019	6,897

The emoluments of the four (2014: four) individuals with the highest emoluments are within the following bands:

	2015	2014
	Number of employees	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. 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$124,339,000 (2014: HK$145,840,000) and the weighted average of 950,588,000 ordinary shares (2014: 929,484,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The Company did not have dilutive potential ordinary shares outstanding during both 2015 and 2014. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both 2015 and 2014.

10. 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.

10. 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 2015 and 2014 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**845,453**	784,144	**47,994**	41,085	**–**	–	**893,447**	825,229
Inter-segment revenue	**–**	–	**1,218**	1,459	**–**	–	**1,218**	1,459
Reportable segment revenue	**845,453**	784,144	**49,212**	42,544	**–**	–	**894,665**	826,688
Reportable segment profit/(loss) (adjusted EBITDA)	**117,123**	12,110	**41,335**	34,888	**(16,214)**	(19,982)	**142,244**	27,016
Interest income	**214**	168	**–**	–	**1,274**	1,185	**1,488**	1,353
Interest expenses	**(14,444)**	(16,726)	**–**	–	**–**	(380)	**(14,444)**	(17,106)
Depreciation and amortisation for the year	**(33,120)**	(35,267)	**(1,773)**	(1,456)	**(67)**	(67)	**(34,960)**	(36,790)
Impairment of property, plant and equipment	**(47,933)**	(6,474)	**(668)**	–	**–**	–	**(48,601)**	(6,474)
Reportable segment assets	**616,664**	654,204	**1,558,785**	1,557,539	**335,871**	325,299	**2,511,320**	2,537,042
Additions to non-current segment assets during the year	**22,836**	22,466	**–**	1,176	**–**	–	**22,836**	23,642
Reportable segment liabilities	**858,769**	1,057,244	**21,705**	19,129	**4,000**	6,439	**884,474**	1,082,812

10. SEGMENT REPORTING *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**894,665**	826,688
Elimination of inter-segment revenue	**(1,218)**	(1,459)
Consolidated revenue	**893,447**	825,229
Profit		
Reportable segment profit	**142,244**	27,016
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from the Group's external customers	**142,244**	27,016
Other revenue	**16,442**	16,730
Other net loss	**(7,701)**	(1,939)
Depreciation and amortisation	**(34,960)**	(36,790)
Finance costs	**(14,444)**	(17,106)
Share of profits less losses of associates	**4,205**	3,716
Reversal of impairment of loans to an associate	**1,566**	1,883
Surplus on revaluation of investment properties	**48,885**	156,860
Unallocated corporate expenses	**(582)**	(733)
Consolidated profit before taxation	**155,655**	149,637
Assets		
Reportable segment assets	**2,511,320**	2,537,042
Elimination of inter-segment receivables	**(368,746)**	(363,789)
	2,142,574	2,173,253
Intangible assets	**1,548**	2,595
Interest in associates	**40,643**	25,206
Loans to an associate	**27,678**	22,723
Other non-current financial assets	**4,036**	6,994
Deferred tax assets	**8,836**	3,669
Current tax recoverable	**281**	413
Cash and cash equivalents	**59,260**	94,106
Unallocated head office and corporate assets	**1**	46
Consolidated total assets	**2,284,857**	2,329,005

10. SEGMENT REPORTING *(Continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**884,474**	1,082,812
Elimination of inter-segment payables	**(368,746)**	(363,789)
	515,728	719,023
Current tax payable	**28,115**	4,287
Deferred tax liabilities	**23,155**	16,024
Unallocated head office and corporate liabilities	**401**	61
Consolidated total liabilities	**567,399**	739,395

(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 investment property, other properties, plant and equipment, construction in progress, 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 investment properties, other property, plant and equipment and construction in progress, 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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Hong Kong (place of domicile)	**56,914**	76,742	**1,552,170**	1,556,238
Mainland China	**9,457**	14,049	**101,174**	119,259
North America	**613,060**	496,150	**69,120**	51,522
Europe	**189,602**	193,419	**26,203**	20,908
Others	**24,414**	44,869	**–**	245
	836,533	748,487	**196,497**	191,934
	893,447	825,229	**1,748,667**	1,748,172

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

	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 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 12)*	–	–	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
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

Notes to the Financial Statements *(Continued)*

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(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*
Cost or valuation						
At 1 January 2015	32,431	37,753	749,112	819,296	1,548,579	2,367,875
Exchange adjustments	–	(901)	(5,784)	(6,685)	–	(6,685)
Transfer from construction in progress *(note 12)*	–	–	185	185	–	185
Additions	–	435	22,401	22,836	–	22,836
Reclassification	38,715	–	–	38,715	(38,715)	–
Disposals	–	–	(4,200)	(4,200)	–	(4,200)
Surplus on revaluation	–	–	–	–	48,885	48,885
At 31 December 2015	71,146	37,287	761,714	870,147	1,558,749	2,428,896
Representing						
Cost	71,146	37,287	761,714	870,147	–	870,147
Valuation – 2015	–	–	–	–	1,558,749	1,558,749
	71,146	37,287	761,714	870,147	1,558,749	2,428,896

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(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*
Accumulated depreciation and impairment:						
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
At 1 January 2015	**8,420**	**19,981**	**619,289**	**647,690**	**–**	**647,690**
Exchange adjustments	**–**	**(437)**	**(3,604)**	**(4,041)**	**–**	**(4,041)**
Charge for the year *(note 5(c))*	**1,950**	**694**	**31,336**	**33,980**	**–**	**33,980**
Impairment loss *(note 5(c))*	**–**	**–**	**48,601**	**48,601**	**–**	**48,601**
Written back on disposals	**–**	**–**	**(3,810)**	**(3,810)**	**–**	**(3,810)**
At 31 December 2015	**10,370**	**20,238**	**691,812**	**722,420**	**–**	**722,420**
Net book value:						
At 31 December 2015	**60,776**	**17,049**	**69,902**	**147,727**	**1,558,749**	**1,706,476**
At 31 December 2014	24,011	17,772	129,823	171,606	1,548,579	1,720,185

Notes to the Financial Statements *(Continued)*

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Impairment loss

During the year ended 31 December 2015, the Group assessed the recoverable amount of the Group's moulds and equipment and as a result, an impairment loss of HK$48,601,000 (2014: HK$6,474,000) 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

	2015	2014
	HK$'000	*HK$'000*
Medium term leases at valuation:		
– In Hong Kong	**1,558,749**	1,548,579

(i) Fair value hierarchy

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

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

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

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

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

(i) Fair value hierarchy (continued)

	Fair value as at 31 December 2015	**Fair value measurements as at 31 December 2015 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	**1,558,749**	**–**	**–**	**1,558,749**

	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*
Recurring fair value measurements				
Investment properties:				
– Industrial – Hong Kong	1,548,579	–	–	1,548,579

During the year ended 31 December 2015 (2014: HK$Nil), there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: HK$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2015. 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 annual reporting date.

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(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$10.6 to HK$11.5/sq. foot/month	HK$10.9/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.

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

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

	2015	2014
	HK$'000	*HK$'000*
Investment properties – Industrial – Hong Kong:		
At 1 January	**1,548,579**	1,390,178
Additions	**–**	1,541
Reclassification to land and buildings held for own use	**(38,715)**	–
Fair value adjustment	**48,885**	156,860
At 31 December	**1,558,749**	1,548,579

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

All the gains recognised in profit and loss for the year arose from the properties held at the end of the reporting period.

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

	2015	2014
	HK$'000	*HK$'000*
Medium-term leases in Hong Kong	**60,776**	24,011
Freehold outside Hong Kong	**17,049**	17,772
	77,825	41,783

11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(d) 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$1,558,749,000 (2014: HK$1,548,579,000). 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:

	2015	2014
	HK$'000	*HK$'000*
Within 1 year	**38,723**	19,230
After 1 year but within 5 years	**5,663**	6,392
	44,386	25,622

(e) Secured assets

Investment properties and land and buildings of the Group with total carrying values of HK$1,558,749,000 (2014: HK$1,548,579,000) and HK$77,825,000 (2014: HK$41,783,000) respectively, were pledged to various banks to secure banking facilities granted to the Group (see note 21).

12. CONSTRUCTION IN PROGRESS

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**185**	1,113
Additions	**–**	185
Transfer to other property, plant and equipment *(note 11)*	**(185)**	(1,113)
At 31 December	**–**	185

13. INTANGIBLE ASSETS

	Licensing rights HK$'000	Club membership HK$'000	Total HK$'000
Cost:			
At 1 January 2014	5,203	868	6,071
Exchange adjustments	(247)	–	(247)
At 31 December 2014	4,956	868	5,824
At 1 January 2015	4,956	868	5,824
Exchange adjustments	(221)	–	(221)
At 31 December 2015	4,735	868	5,603
Accumulated amortisation:			
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
At 1 January 2015	2,894	335	3,229
Exchange adjustments	(154)	–	(154)
Charge for the year	947	33	980
At 31 December 2015	3,687	368	4,055
Net book value:			
At 31 December 2015	1,048	500	1,548
At 31 December 2014	2,062	533	2,595

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements *(Continued)*

14. INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets, or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

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: The Company	Proportion of ownership interest held by: A subsidiary	Principal activity
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
Great Hope Investments Limited	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

14. INTEREST IN SUBSIDIARIES *(Continued)*

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: The Company	Proportion of ownership interest held by: A subsidiary	Principal activity
Precise Moulds (Dongguan) Company Limited (Hop Pong) *(Note 2)*	PRC	PRC	Registered capital RMB$4,800,000	–	52%	Manufacture and sale of moulds
Quedron Limited	BVI	BVI	25,000 shares of US$1 each	–	100%	Investment holding
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.

Notes to the Financial Statements *(Continued)*

15. INTEREST IN ASSOCIATES AND LOANS TO AN ASSOCIATE

	2015	2014
	HK$'000	*HK$'000*
Non-current assets		
Share of net assets	**1,693**	(11,623)
Amounts due from associates	**43,354**	42,092
Less: impairment loss	**(4,404)**	(5,263)
	40,643	25,206
Current assets		
Loans to an associate	**28,126**	24,737
Less: impairment loss	**(448)**	(2,014)
	27,678	22,723

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 end of the reporting period.

At 31 December 2015, loans to an associate amounting to HK$17,550,000 (2014: HK$12,090,000) are unsecured, interest-bearing at 5% to 10% per annum and are repayable on 30 April 2016 or 31 May 2016 (2014: 31 May 2015). Interest receivable amounted to HK$4,336,000 (2014: HK$3,287,000) as at 31 December 2015. Loans to an associate of HK$6,240,000 (2014: HK$9,360,000) are unsecured, interest-free and repayable on demand.

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

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:

Name of associate	Form of business structure	Place of incorporation and operation	Proportion of ownership interest: 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	37.4%	15.0%	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
2015 Group's effective interest	**277,197**	**(207,885)**	**69,312**	**138,555**	**4,205**
2014 Group's effective interest	160,485	(172,108)	(11,623)	75,362	3,716

Notes to the Financial Statements *(Continued)*

16. OTHER NON-CURRENT FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
Available-for-sale equity securities:		
– Listed in Hong Kong	**2,148**	1,800
– Listed outside Hong Kong	**1,046**	2,749
	3,194	4,549
Available-for-sale debt securities:		
– Listed in Hong Kong	**842**	2,445
	4,036	6,994

17. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015	2014
	HK$'000	*HK$'000*
Raw materials	**18,865**	25,787
Work in progress	**30,659**	47,245
Finished goods	**270,276**	237,515
	319,800	310,547

Finished goods amounting to HK$117,537,000 (2014: HK$113,248,000) were pledged to banks to secure banking facilities granted to the Group (see note 21).

17. 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))*:

	2015	2014
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**567,258**	548,982
Write down of inventories	**2,282**	12,201
Reversal of write-down of inventories	**(9,046)**	(7,707)
	560,494	553,476

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

18. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade debtors	**103,031**	136,332
Less: allowance for doubtful debts *(note 18(b))*	**(6,987)**	(16,351)
	96,044	119,981
Amounts due from an associate	**–**	34
Amounts due from related companies	**1,123**	–
Deposits and prepayments	**19,132**	22,367
	116,299	142,382

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 related companies are unsecured, interest-free and have no fixed terms of repayment. The related companies have a common director and shareholder with the Company.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**83,276**	101,623
1 to 3 months	**9,914**	13,813
3 to 12 months	**2,575**	3,732
Over 12 months	**279**	813
	96,044	119,981

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 27(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:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**16,351**	12,226
Exchange adjustments	**(4)**	(3)
Impairment losses *(note 5(c))*	**305**	5,326
Reversal of impairment losses	**(1,801)**	(43)
Uncollectible amounts written off	**(7,864)**	(1,155)
At 31 December	**6,987**	16,351

18. TRADE AND OTHER RECEIVABLES *(Continued)*

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

At 31 December 2015, certain of the Group's trade debtors totalling HK$6,987,000 (2014: HK$16,351,000) 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$6,987,000 (2014: HK$16,351,000) 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:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**77,076**	94,439
Less than 1 month past due	**15,720**	15,212
1 to 3 months past due	**1,443**	8,728
More than 3 months but less than 12 months past due	**1,526**	916
More than 12 months past due	**279**	686
	18,968	25,542
	96,044	119,981

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.

19. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015	2014
	HK$'000	*HK$'000*
Cash and cash equivalents in the consolidated statement of financial position	**59,260**	94,106
Bank overdrafts *(note 21)*	**–**	(597)
Cash and cash equivalents in the consolidated cash flow statement	**59,260**	93,509

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

		2015	2014
	Note	***HK$'000***	*HK$'000*
Profit before taxation		**155,655**	149,637
Adjustments for:			
Surplus on revaluation of investment properties	*11*	**(48,885)**	(156,860)
Depreciation	*11*	**33,980**	35,736
Amortisation of intangible assets	*13*	**980**	1,054
Impairment of property, plant and equipment	*11(a)*	**48,601**	6,474
Finance costs	*5(a)*	**14,444**	17,106
Interest income	*4(a)*	**(1,488)**	(1,353)
Share of profits less losses of associates	*15*	**(4,205)**	(3,716)
Reversal of impairment of loans to an associate	*15*	**(1,566)**	(1,883)
Net gain on disposal of property, plant and equipment	*4(b)*	**(154)**	(78)
Reclassification from equity on disposal of available-for-sale securities	*4(b)*	**(35)**	(2,067)
Foreign exchange loss/(gain)		**6,203**	(7,671)
Changes in working capital:			
(Increase)/decrease in inventories		**(9,253)**	5,699
Decrease in trade and other receivables		**26,049**	4,916
Decrease in creditors and accrued charges		**(14,760)**	(89,646)
Increase in deferred rental expenses		**232**	234
Increase in rental deposits received		**1,630**	764
Increase/(decrease) in accrued employee benefits		**11**	(46)
Cash generated from/(used in) operations		**207,439**	(41,700)

20. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Creditors and accrued charges	**133,671**	148,242
Rental deposits	**2,578**	4,706
Amount due to a related company	**689**	878
	136,938	153,826

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 at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Due within 1 month or on demand	**35,000**	30,792
Due over 1 month but within 3 months	**5,076**	8,872
Due over 3 months but within 6 months	**540**	399
Due over 6 months	**1,152**	4,092
	41,768	44,155

21. BANK LOANS AND OVERDRAFTS

At 31 December 2015, the bank loans and overdrafts were repayable as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 year or on demand	**329,405**	506,122
After 1 year but within 2 years	**9,006**	10,037
After 2 years but within 5 years	**17,683**	25,312
After 5 years	**10,609**	15,300
	37,298	50,649
	366,703	556,771

At 31 December 2015, the bank loans and overdrafts were secured as follows:

	2015	2014
	HK$'000	*HK$'000*
Bank overdrafts *(note 19(a))*		
– Secured	**–**	597
Bank loans		
– Secured	**366,703**	556,174
	366,703	556,771

At 31 December 2015, an investment property, leasehold land and buildings, inventories and other assets of the Group with aggregate net carrying value of HK$1,817,368,000 (2014: HK$1,779,508,000) were pledged to various banks to secure the bank loans and overdrafts granted to the Group. Details of the secured assets are as follows:

21. BANK LOANS AND OVERDRAFTS *(Continued)*

	2015	2014
	HK$'000	*HK$'000*
Investment properties *(note 11(e))*	**1,558,749**	1,548,579
Land and buildings *(note 11(e))*	**77,825**	41,783
Inventories *(note 17(a))*	**117,537**	113,248
Other assets	**63,257**	75,898
	1,817,368	1,779,508

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 2015 and 2014, 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$4,736,000 (2014: HK$57,001,000). 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 27 March 2016.

Other than the above, as at 31 December 2015, 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 27(b).

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2015	2014
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	**10,740**	–
Provisional Profits Tax paid	**(25)**	(413)
Balance of Profits Tax provision relating to prior years	**(274)**	2,210
	10,441	1,797
Provision for tax outside Hong Kong	**17,393**	2,077
	27,834	3,874
Representing:		
Tax recoverable	**(281)**	(413)
Tax payable	**28,115**	4,287
	27,834	3,874

The Inland Revenue Department of Hong Kong ("IRD") had 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.

The relevant subsidiaries have submitted the required information to the IRD and provided justifications for the tax treatment adopted. In addition, the Group submitted a settlement proposal to the IRD in March 2015 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. The IRD accepted the settlement proposal of HK$3.5 million, which was fully settled during the year ended 31 December 2015.

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

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

	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 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
At 1 January 2015	**20,787**	**10,587**	**(3,669)**	**(15,350)**	**12,355**
(Credited)/charged to profit or loss *(note 6(a))*	**(8,219)**	**–**	**(5,167)**	**15,350**	**1,964**
At 31 December 2015	**12,568**	**10,587**	**(8,836)**	**–**	**14,319**

Reconciliation to the consolidated statement of financial position:

	2015	2014
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**(8,836)**	(3,669)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**23,155**	16,024
	14,319	12,355

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$447,404,000 (2014: HK$490,568,000), 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 amounting to HK$69,774,000 (2014: HK$72,855,000) does not expire under current tax legislation, while the remaining tax losses amounting to HK$377,632,000 (2014: HK$417,713,000) will expire at various dates up to and including 2035 as follows:

	2015	2014
Expiring in year:	***HK$'000***	*HK$'000*
2015	**–**	53,947
2016	**49,098**	52,082
2017	**110,983**	117,750
2018	**48,731**	53,387
2019	**5,601**	5,943
2020	**9,207**	–
2028	**34,109**	34,109
2029	**23,790**	23,790
2030	**29,250**	29,250
2031	**31,629**	31,629
2032	**15,826**	15,826
2035	**19,406**	–
	377,630	417,713
No expiry date	**69,774**	72,855
	447,404	490,568

23. 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.

24. RENTAL DEPOSITS

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

25. ACCRUED EMPLOYEE BENEFITS

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**291**	337
Additional provision made	**11**	29
Provision utilised	**–**	(75)
	302	291

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.

26. 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:

	Share capital	Share premium	Capital reserve	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 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 and 1 January 2015	**95,059**	**185,138**	**9,347**	**175,594**	**456,624**	**921,762**
Change in equity for 2015:						
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(35,389)**	**(35,389)**
Balance at 31 December 2015	**95,059**	**185,138**	**9,347**	**175,594**	**421,235**	**886,373**

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

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year

	2015	***2014***
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period of HK1.5 cents per ordinary share (2014: HK$Nil per ordinary share)	**14,259**	–

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

(c) Issued share capital

	2015		2014	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'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	**950,588**	**95,059**	665,412	66,541
Issuance of shares	**–**	**–**	285,176	28,518
At 31 December	**950,588**	**95,059**	950,588	95,059

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.

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

(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.

(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 end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 1(f) and 1(m)(i).

Notes to the Financial Statements *(Continued)*

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

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$596,829,000 (2014: HK$632,218,000).

(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.

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 2015, 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.

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

(f) Capital management *(Continued)*

The Group's net debt-to-equity ratios at 31 December 2015 and 2014 were as follows:

	Note	**2015** ***HK$'000***	2014 *HK$'000*
Current liabilities:			
Trade and other payables	*20*	**136,938**	153,826
Bank loans and overdrafts	*21*	**329,405**	506,122
		466,343	659,948
Non-current liabilities:			
Bank loans	*21*	**37,298**	50,649
Rental deposits	*24*	**8,558**	4,800
Total debt		**512,199**	715,397
Add: proposed dividends	*26(b)*	**14,259**	–
Less: cash and cash equivalents	*19(a)*	**(59,260)**	(94,106)
Adjusted net debt		**467,198**	621,291
Total equity		**1,717,458**	1,589,610
Less: proposed dividends	*26(b)*	**(14,259)**	–
Adjusted total equity		**1,703,199**	1,589,610
Adjusted net debt-to-equity ratio		**27.4%**	39.1%

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.

27. 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 end of the reporting period, the Group has a certain concentration of credit risk as 30.17% (2014: 21.72%) and 41.29% (2014: 31.83%) 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.

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

(a) Credit risk *(Continued)*

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 29(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees on the end of the reporting period is disclosed in note 29(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 18.

(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 end of the reporting period of the Group'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 end of the reporting period) and the earliest date the Group 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.

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

(b) Liquidity risk *(Continued)*

	2015 Total contractual undiscounted cash outflow							2014 Total contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	carrying amount	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Creditors and accrued charges	-	133,671	-	-	-	133,671	133,671	-	148,243	-	-	-	148,243	148,243
Amount due to a related company	-	689	-	-	-	689	689	-	878	-	-	-	878	878
Rental deposits	-	2,578	8,558	-	-	11,136	11,136	-	4,706	1,073	3,727	-	9,506	9,506
Bank overdrafts	-	-	-	-	-	-	-	597	-	-	-	-	597	597
Bank loans	-	299,099	21,998	44,445	10,609	376,151	366,703	-	382,653	58,043	123,799	17,464	581,959	556,174
	-	436,037	30,556	44,445	10,609	521,647	512,199	597	536,480	59,116	127,526	17,464	741,183	715,398
Adjustments to present cash flows on bank loans based on lender's right to demand repayment	319,394	(288,414)	(12,749)	(26,521)	-	(8,290)		495,567	(371,742)	(47,132)	(95,789)	-	(19,096)	
	319,394	147,623	17,807	17,924	10,609	513,357		496,164	164,738	11,984	31,737	17,464	722,087	

As shown in the above analysis, bank loans of the Group amounting to HK$299,099,000 are due to be repaid during 2016. The short-term liquidity risk inherent in this contractual maturity date was addressed at the time the loans were drawn. The Group will in due course commence refinancing of its bank loans which are due for maturity in December 2016. Based on the Group's past ability to 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.

27. 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 net borrowings (as defined above) at the end of the reporting period.

		2015		2014	
		Effective interest rate	**Amount**	Effective interest rate	Amount
	Note	**%**	***HK$'000***	%	*HK$'000*
Variable rate borrowings:					
Bank overdrafts	*21*	**–**	**–**	5.00	597
Bank loans	*21*	**2.51**	**366,703**	3.23	556,174
			366,703		556,771

(ii) Sensitivity analysis

At 31 December 2015, 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$3,034,000 (2014: HK$4,545,000). 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 end of the reporting period 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 end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, 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 2014.

Notes to the Financial Statements *(Continued)*

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

(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 end of the reporting period 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.

	Exposure to foreign currencies					
	2015			2014		
	USD	**RMB**	**GBP**	USD	RMB	GBP
	'000	***'000***	***'000***	*'000*	*'000*	*'000*
Trade and other receivables	**631**	**1,526**	**–**	1,937	2,037	–
Cash and cash equivalents	**871**	**1,009**	**2**	1,509	9,377	1,505
Trade and other payables	**(309)**	**(2,807)**	**–**	(337)	(3,081)	(6)
Net exposure arising from recognised assets and liabilities	**1,193**	**(272)**	**2**	3,109	8,333	1,499
HK$ equivalent	**9,309**	**(325)**	**19**	24,251	10,567	18,074

27. 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 end of the reporting period 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.

	2015		2014	
	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%**	**(14)**	5%	441
	(5%)	**14**	(5%)	(441)
GBP	**5%**	**1**	5%	754
	(5%)	**(1)**	(5%)	(754)

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 end of the reporting period 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 end of the reporting period, 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 2014.

27. 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 16). 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 2015, 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:

	2015			2014		
	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:						
Hang Seng Index	**7%**	**–**	**154**	9%	–	162
	(7)%	**–**	**(154)**	(9)%	–	(162)
Bloomberg GCC 200 index	**14%**	**–**	**–**	10%	–	127
	(14)%	**–**	**–**	(10)%	–	(127)
Bloomberg GCC 200 Energy index	**33%**	**–**	**342**	13%	–	202
	(33)%	**–**	**(342)**	(13)%	–	(202)

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 end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. 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 2014.

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

(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 end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

	Fair value as at 31 December 2015	**Fair value measurements as at 31 December 2015 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Assets:				
Listed available-for-sale securities:				
– equity	**3,194**	**3,194**	**–**	**–**
– debt	**842**	**842**	**–**	**–**

	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*
Recurring fair value measurements				
Assets:				
Listed available-for-sale securities:				
– equity	4,549	4,549	–	–
– debt	2,445	2,445	–	–

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

(f) Fair value measurement *(Continued)*

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

During the years ended 31 December 2015 and 2014, 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 end of the reporting period 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 2015 and 2014.

28. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015	2014
	HK$'000	*HK$'000*
Contracted for	**1,570**	650

(b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings		**Others**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**5,543**	8,518	**43**	–
After 1 year but within 5 years	**2,735**	348	**139**	45
	8,278	8,866	**182**	45

At 31 December 2015 and 2014, 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.

29. CONTINGENT LIABILITIES

At 31 December 2015, there were contingent liabilities in respect of the following:

(a) Financial guarantees issued

The Company has issued guarantees to banks amounting to HK$839,346,000 (2014: HK$820,079,000) 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 end of the reporting period under the guarantees issued is the amount of banking facilities drawn down by the subsidiaries of HK$366,703,000 (2014: HK$556,771,000).

30. 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 is 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. 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 that are attributable to contributions made by the Group.

30. 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.

31. 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 2015, the Group advanced funds totalling HK$38,950,000 (2014: HK$36,829,000) to certain associates in which certain directors of the Company have beneficial interests. Further details of the associates are given in note 15 to the financial statements.

(c) During the year ended 31 December 2015, the Group sold OEM products to an associate amounted to HK$2,710,000 (2014: HK$11,024,000).

(d) During the year ended 31 December 2014, the Group charged material charges to an associate amounted to HK$2,255,000.

32. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Non-current assets			
Interest in subsidiaries		**886,965**	922,237
Current assets			
Trade and other receivables		**336**	339
Current tax recoverable		**25**	37
Cash and cash equivalents		**1,125**	1,671
		1,486	2,047
Current liabilities			
Trade and other payables		**2,078**	2,522
Net current liabilities		**(592)**	(475)
NET ASSETS		**886,373**	921,762
CAPITAL AND RESERVES	*26(a)*		
Share capital		**95,059**	95,059
Reserves		**791,314**	826,703
TOTAL EQUITY		**886,373**	921,762

33. 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 property, plant and equipment, 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 property, plant and equipment, 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 property, plant and equipment, 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) Valuation of investment properties

The fair valuation of the Group's investment properties is conducted 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 these market inputs, the corresponding investment property valuation would change.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 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
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
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 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

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 but is not yet in a position to state whether they will have a significant impact on its results of operations and financial position.

Group Properties

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

Location	Existing use	Term of lease
Major property held for investment		
A portion of Ground Floor, the whole of 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 STATEMENT OF PROFIT OR LOSS

	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	*HK$'000*	*HK$'000*
Revenue	**893,447**	825,229	927,773	1,251,061	1,299,487
Profit/(loss) from operations	**115,443**	4,284	(60,981)	(97,443)	(113,829)
Finance costs	**(14,444)**	(17,106)	(15,434)	(13,337)	(9,799)
Share of profits less losses of associates	**4,205**	3,716	3,263	(3,373)	(20,882)
Reversal of impairment/(impairment) of loans to an associate	**1,566**	1,883	–	(3,897)	–
Surplus on revaluation of investment properties	**48,885**	156,860	129,058	300,169	188,742
Net loss on disposal of investment properties	**–**	–	–	–	(80)
Profit before taxation	**155,655**	149,637	55,906	182,119	44,152
Income tax	**(29,132)**	(2,027)	(1,073)	(15,218)	3,150
Profit for the year	**126,523**	147,610	54,833	166,901	47,302
Attributable to:					
Equity shareholders of the Company	**124,339**	145,840	50,930	164,585	49,271
Non-controlling interests	**2,184**	1,770	3,903	2,316	(1,969)
Profit for the year	**126,523**	147,610	54,833	166,901	47,302
Earnings per share					
Basic	**13.08¢**	15.69¢	7.44¢	24.03¢	7.19¢
Diluted	**13.08¢**	15.69¢	7.44¢	24.03¢	7.19¢

Five-Year Summary *(Continued)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities					
Investment properties, other property, plant and equipment and construction in progress	**1,706,476**	1,720,370	1,582,653	1,441,060	1,133,505
Intangible assets	**1,548**	2,595	3,744	4,734	634
Interests in associates	**40,643**	25,206	20,025	11,620	20,916
Other non-current financial assets	**4,036**	6,994	10,136	10,537	15,653
Deferred tax assets	**8,836**	3,669	3,948	7,736	18,240
Non-current assets	**1,761,539**	1,758,834	1,620,506	1,475,687	1,188,948
Net current assets/(liabilities)	**28,860**	(94,064)	(197,985)	(137,283)	(14,369)
Total assets less current liabilities	**1,790,399**	1,664,770	1,422,521	1,338,404	1,174,579
Non-current liabilities	**(72,941)**	(75,160)	(69,532)	(44,959)	(58,867)
NET ASSETS	**1,717,458**	1,589,610	1,352,989	1,293,445	1,115,712
CAPITAL AND RESERVES					
Share capital	**95,059**	95,059	66,541	66,541	66,541
Reserves	**1,621,954**	1,494,189	1,282,608	1,227,162	1,051,737
Total equity attributable to equity shareholders of the Company	**1,717,013**	1,589,248	1,349,149	1,293,703	1,118,278
Non-controlling interests	**445**	362	3,840	(258)	(2,566)
TOTAL EQUITY	**1,717,458**	1,589,610	1,352,989	1,293,445	1,115,712