KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED
開達集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 180)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors of Kader Holdings Company Limited (the "Company") announces that the results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2014 together with comparative figures for the year 2013 are summarised as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Turnover	*3, 4*	**825,229**	927,773
Other revenue	*5(a)*	**16,730**	18,270
Other net (loss)/income	*5(b)*	**(1,939)**	9,895
Changes in inventories of finished goods and work in progress		**15,652**	707
Cost of purchase of finished goods		**(21,523)**	(39,202)
Raw materials and consumables used		**(206,608)**	(239,249)
Staff costs	*6(b)*	**(302,550)**	(403,007)
Depreciation	*6(c)*	**(35,736)**	(42,773)
Other operating expenses		**(284,971)**	(293,395)
Profit/(loss) from operations		**4,284**	(60,981)
Finance costs	*6(a)*	**(17,106)**	(15,434)
Share of profits less losses of associates		**3,716**	3,263
Reversal of impairment of loans to an associate		**1,883**	–
Surplus on revaluation of investment properties		**156,860**	129,058
Profit before taxation	*6*	**149,637**	55,906
Income tax expense	*7*	**(2,027)**	(1,073)
Profit for the year		**147,610**	54,833
Attributable to:			
Equity shareholders of the Company		**145,840**	50,930
Non-controlling interests		**1,770**	3,903
Profit for the year		**147,610**	54,833
Earnings per share			
Basic	*9(a)*	**15.69¢**	7.44¢
Diluted	*9(b)*	**15.69¢**	7.44¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Profit for the year		**147,610**	54,833
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings held for own use upon change of use to investment properties		**–**	20,237
Items that may be reclassified subsequently to profit or loss:			
Realisation of exchange reserve upon deregistration of a subsidiary		**(1,971)**	–
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(6,025)**	(15,125)
Available-for-sale securities:	*8*		
– changes in fair value during the year		**(333)**	(401)
– reclassification adjustments for amounts transferred to profit or loss		**(2,067)**	–
Total comprehensive income for the year		**137,214**	59,544
Attributable to:			
Equity shareholders of the Company		**136,385**	55,446
Non-controlling interests		**829**	4,098
Total comprehensive income for the year		**137,214**	59,544

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

CONSOLIDATED BALANCE SHEET

At 31 December 2014

	Note	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Non-current assets			
Fixed assets			
– Investment properties		**1,548,579**	1,390,178
– Other property, plant and equipment		**171,606**	191,362
– Construction in progress		**185**	1,113
		1,720,370	1,582,653
Intangible assets		**2,595**	3,744
Interest in associates		**25,206**	20,025
Other non-current financial assets		**6,994**	10,136
Deferred tax assets		**3,669**	3,948
		1,758,834	1,620,506
Current assets			
Inventories	*10*	**310,547**	316,246
Current tax recoverable		**413**	376
Loans to an associate		**22,723**	21,456
Trade and other receivables	*11*	**142,382**	150,213
Cash and cash equivalents		**94,106**	76,347
		570,171	564,638
Current liabilities			
Trade and other payables	*12*	**153,826**	244,870
Bank loans and overdrafts		**506,122**	516,126
Current tax payable		**4,287**	1,627
		664,235	762,623
Net current liabilities		**(94,064)**	(197,985)

CONSOLIDATED BALANCE SHEET *(continued)*
At 31 December 2014

	Note	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Total assets less current liabilities		**1,664,770**	1,422,521
Non-current liabilities			
Bank loans		**50,649**	24,782
Deferred rental expenses		**3,396**	3,162
Rental deposits		**4,800**	2,636
Deferred tax liabilities		**16,024**	18,615
Loan from a director		**–**	20,000
Accrued employee benefits		**291**	337
		75,160	69,532
NET ASSETS		**1,589,610**	1,352,989
CAPITAL AND RESERVES	*13*		
Share capital		**95,059**	66,541
Reserves		**1,494,189**	1,282,608
Total equity attributable to equity shareholders of the Company		**1,589,248**	1,349,149
Non-controlling interests		**362**	3,840
TOTAL EQUITY		**1,589,610**	1,352,989

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2014 but the information herein has been extracted from the draft consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in associates.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that investment properties and financial instruments classified as available-for-sale are stated at their fair values.

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

HK(IFRIC) 21, *Levies*

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

3. TURNOVER

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

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

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

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

4. SEGMENT REPORTING

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

Toys and model trains: The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located in Mainland China.

Property investment: The leasing of office premises and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.

Investment holding: The investment in securities.

(a) Segment results, assets and liabilities

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

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

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

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

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

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

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

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**826,688**	929,031
Elimination of inter-segment revenue	**(1,459)**	(1,258)
Consolidated turnover	**825,229**	927,773
Profit		
Reportable segment profit/(loss)	**27,016**	(44,799)
Elimination of inter-segment profit/(loss)	**–**	–
Reportable segment profit/(loss) derived from the Group's external customers	**27,016**	(44,799)
Other revenue	**16,730**	18,270
Other net (loss)/income	**(1,939)**	9,895
Depreciation and amortisation	**(36,790)**	(43,775)
Finance costs	**(17,106)**	(15,434)
Share of profits less losses of associates	**3,716**	3,263
Reversal of impairment of loans to an associate	**1,883**	–
Surplus on revaluation of investment properties	**156,860**	129,058
Unallocated corporate expenses	**(733)**	(572)
Consolidated profit before taxation	**149,637**	55,906
Assets		
Reportable segment assets	**2,537,042**	2,406,228
Elimination of inter-segment receivables	**(363,789)**	(357,162)
	2,173,253	2,049,066
Intangible assets	**2,595**	3,744
Interest in associates	**25,206**	20,025
Loans to an associate	**22,723**	21,456
Other non-current financial assets	**6,994**	10,136
Deferred tax assets	**3,669**	3,948
Current tax recoverable	**413**	376
Cash and cash equivalents	**94,106**	76,347
Unallocated head office and corporate assets	**46**	46
Consolidated total assets	**2,329,005**	2,185,144
Liabilities		
Reportable segment liabilities	**1,082,812**	1,148,808
Elimination of inter-segment payables	**(363,789)**	(357,162)
	719,023	791,646
Current tax payable	**4,287**	1,627
Deferred tax liabilities	**16,024**	18,615
Unallocated head office and corporate liabilities	**61**	20,267
Consolidated total liabilities	**739,395**	832,155

(c) Geographic information

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

	Revenue from external customers		**Specified Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**76,742**	82,987	**1,556,238**	1,394,829
Mainland China	**14,049**	23,475	**119,259**	147,922
North America	**496,150**	499,161	**51,522**	47,060
Europe	**193,419**	231,869	**20,908**	16,205
Others	**44,869**	90,281	**245**	406
	748,487	844,786	**191,934**	211,593
	825,229	927,773	**1,748,172**	1,606,422

5. OTHER REVENUE AND NET (LOSS)/INCOME

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

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

6. PROFIT BEFORE TAXATION

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

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

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

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

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

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

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

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

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

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

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

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

8. OTHER COMPREHENSIVE INCOME

	2014	2013
	HK$'000	*HK$'000*
Available-for-sale securities		
Changes in fair value recognised during the year	**(333)**	(401)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**(2,067)**	–
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(2,400)**	(401)

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$145,840,000 (2013: HK$50,930,000) and the weighted average of 929,484,000 ordinary shares (2013: 684,975,000 ordinary shares) in issue during the year. As described in note 13, the Company completed the rights issue in January 2014. In calculating earnings per share, the weighted average number of shares outstanding during the year ended 31 December 2014 and 2013 were calculated as if the bonus elements without consideration included in the rights issue had existed from the beginning of the comparative year.

(b) Diluted earnings per share

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

10. INVENTORIES

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

12. TRADE AND OTHER PAYABLES

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

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

13. CAPITAL, RESERVES AND DIVIDEND

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014	2013
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil per ordinary share (2013: HK$Nil per ordinary share)	**–**	–

(b) Share capital

	2014		2013	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'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	**665,412**	**66,541**	665,412	66,541
Issuance of shares	**285,176**	**28,518**	–	–
At 31 December	**950,588**	**95,059**	665,412	66,541

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

(c) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda. The addition in share premium represents the difference between the total amount of the par value of shares issue and the amount of the net proceeds received from share issuances in 2014 (see note 13(b)).

14. CONTINGENT LIABILITIES

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

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

15. LITIGATION

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

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

BUSINESS REVIEW

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

Toys and Model Trains

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

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

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

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

Property Investment

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

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

FINANCIAL REVIEW

Results

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

Liquidity and Financial Resources

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

Capital Structure

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

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

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

Exchange Rate Exposure

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

EMPLOYEES AND REMUNERATION POLICIES

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

PROSPECTS

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 5 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 4 June 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 December 2014.

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the key accounting policies and discussed auditing, internal controls and financial reporting matters, including a review of the annual results for the year ended 31 December 2014.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 31 March 2015

As at the date of this announcement, the executive directors of the Company are Mr. Kenneth Ting Woo-shou, SBS, JP (Chairman and Managing Director) and Mrs. Nancy Ting Wang Wan-sun; the non-executive directors of the Company are Mr. Ivan Ting Tien-li, Dr. Moses Cheng Mo-chi, GBS, OBE, JP, Mr. Liu Chee-ming and Mr. Bernie Ting Wai-cheung; and the independent non-executive directors of the Company are Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, JP, Mr. Desmond Chum Kwan-yue and Mr. Ronald Montalto.