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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 2015

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 2015 together with comparative figures for the year 2014 are summarised as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	3, 4	893,447	825,229
Other revenue	5(a)	16,442	16,730
Other net loss	5(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	6(b)	(294,529)	(302,550)
Depreciation	6(c)	(33,980)	(35,736)
Other operating expenses		(243,476)	(284,971)
Profit from operations		115,443	4,284
Finance costs	6(a)	(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
Profit before taxation	6	155,655	149,637
Income tax expense	7	(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			
Basic	9(a)	13.08¢	15.69¢
Diluted	9(b)	13.08¢	15.69¢

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
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:	8		
– changes in fair value during the year		(372)	(333)
– reclassification adjustments for amounts transferred to profit or loss		<u>(35)</u>	<u>(2,067)</u>
Total comprehensive income for the year		<u>129,674</u>	<u>137,214</u>
Attributable to:			
Equity shareholders of the Company		127,765	136,385
Non-controlling interests		<u>1,909</u>	<u>829</u>
Total comprehensive income for the year		<u>129,674</u>	<u>137,214</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

		At 31 December 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Investment properties		1,558,749	1,548,579
Other property, plant and equipment		147,727	171,606
Construction in progress		<u>–</u>	<u>185</u>
		1,706,476	1,720,370
Intangible assets		1,548	2,595
Interest in associates		40,643	25,206
Other non-current financial assets		4,036	6,994
Deferred tax assets		<u>8,836</u>	<u>3,669</u>
		<u>1,761,539</u>	<u>1,758,834</u>
Current assets			
Inventories	<i>10</i>	319,800	310,547
Current tax recoverable		281	413
Loans to an associate		27,678	22,723
Trade and other receivables	<i>11</i>	116,299	142,382
Cash and cash equivalents		<u>59,260</u>	<u>94,106</u>
		<u>523,318</u>	<u>570,171</u>
Current liabilities			
Trade and other payables	<i>12</i>	136,938	153,826
Bank loans and overdrafts		329,405	506,122
Current tax payable		<u>28,115</u>	<u>4,287</u>
		<u>494,458</u>	<u>664,235</u>
Net current assets/(liabilities)		<u>28,860</u>	<u>(94,064)</u>

	At 31 December 2015	At 31 December 2014
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities	1,790,399	1,664,770
Non-current liabilities		
Bank loans	37,298	50,649
Deferred rental expenses	3,628	3,396
Rental deposits	8,558	4,800
Deferred tax liabilities	23,155	16,024
Accrued employee benefits	302	291
	<u>72,941</u>	<u>75,160</u>
NET ASSETS	<u>1,717,458</u>	<u>1,589,610</u>
CAPITAL AND RESERVES	<i>13</i>	
Share capital	95,059	95,059
Reserves	<u>1,621,954</u>	<u>1,494,189</u>
Total equity attributable to equity shareholders of the Company	1,717,013	1,589,248
Non-controlling interests	<u>445</u>	<u>362</u>
TOTAL EQUITY	<u>1,717,458</u>	<u>1,589,610</u>

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2015 but the information herein has been extracted from the draft consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2015 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 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 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 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sales of goods	845,453	784,144
Gross rentals from investment properties	47,994	41,085
	<u>893,447</u>	<u>825,229</u>

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.

4. SEGMENT REPORTING

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

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

4. SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities

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

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

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

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

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

4. SEGMENT REPORTING (Continued)

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

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

4. SEGMENT REPORTING (Continued)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	894,665	826,688
Elimination of inter-segment revenue	<u>(1,218)</u>	<u>(1,459)</u>
Consolidated revenue	<u><u>893,447</u></u>	<u><u>825,229</u></u>
Profit		
Reportable segment profit	142,244	27,016
Elimination of inter-segment profit	<u>–</u>	<u>–</u>
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	<u>(582)</u>	<u>(733)</u>
Consolidated profit before taxation	<u><u>155,655</u></u>	<u><u>149,637</u></u>
Assets		
Reportable segment assets	2,511,320	2,537,042
Elimination of inter-segment receivables	<u>(368,746)</u>	<u>(363,789)</u>
	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	<u>1</u>	<u>46</u>
Consolidated total assets	<u><u>2,284,857</u></u>	<u><u>2,329,005</u></u>
Liabilities		
Reportable segment liabilities	884,474	1,082,812
Elimination of inter-segment payables	<u>(368,746)</u>	<u>(363,789)</u>
	515,728	719,023
Current tax payable	28,115	4,287
Deferred tax liabilities	23,155	16,024
Unallocated head office and corporate liabilities	<u>401</u>	<u>61</u>
Consolidated total liabilities	<u><u>567,399</u></u>	<u><u>739,395</u></u>

4. SEGMENT REPORTING (Continued)

(c) Geographic information

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

	Revenue from external customers		Specified Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong (place of domicile)	<u>56,914</u>	<u>76,742</u>	<u>1,552,170</u>	<u>1,556,238</u>
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	<u>24,414</u>	<u>44,869</u>	<u>-</u>	<u>245</u>
	<u>836,533</u>	<u>748,487</u>	<u>196,497</u>	<u>191,934</u>
	<u>893,447</u>	<u>825,229</u>	<u>1,748,667</u>	<u>1,748,172</u>

5. OTHER REVENUE AND NET LOSS

	2015 HK\$'000	2014 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	<u>214</u>	<u>168</u>
	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	<u>4,346</u>	<u>5,345</u>
	<u>16,442</u>	<u>16,730</u>

5. OTHER REVENUE AND NET LOSS *(Continued)*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(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	<u>35</u>	<u>2,067</u>
	<u>(7,701)</u>	<u>(1,939)</u>

6. PROFIT BEFORE TAXATION

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans and other borrowings	14,444	16,326
Interest on loan from a director	<u>-</u>	<u>780</u>
	<u>14,444</u>	<u>17,106</u>
(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)	<u>20,896</u>	<u>12,825</u>
	<u>294,529</u>	<u>302,550</u>

6. PROFIT BEFORE TAXATION *(Continued)*

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

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.

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

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

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

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%).

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation	<u>155,655</u>	<u>149,637</u>
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	<u>1</u>	<u>3,216</u>
Actual tax expense	<u>29,132</u>	<u>2,027</u>

8. OTHER COMPREHENSIVE INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Available-for-sale securities		
Change in fair value recognised during the year	(372)	(333)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	<u>(35)</u>	<u>(2,067)</u>
Net movement in the fair value reserve during the year recognised in other comprehensive income	<u>(407)</u>	<u>(2,400)</u>

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$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. INVENTORIES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
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)
	<u>560,494</u>	<u>553,476</u>

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

11. TRADE AND OTHER RECEIVABLES

As at 31 December 2015, 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 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
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
	<u>96,044</u>	<u>119,981</u>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
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
	<u>41,768</u>	<u>44,155</u>

13. CAPITAL, RESERVES AND DIVIDEND

(a) Dividends

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

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

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

(b) 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	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:				
At 1 January	950,588	95,059	665,412	66,541
Issuance of shares	<u>–</u>	<u>–</u>	<u>285,176</u>	<u>28,518</u>
At 31 December	<u>950,588</u>	<u>95,059</u>	<u>950,588</u>	<u>95,059</u>

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.

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.

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

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.

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.

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.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 May 2016 to Thursday, 2 June 2016, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 27 May 2016.

The register of members of the Company will be closed from Thursday, 9 June 2016 to Wednesday, 15 June 2016, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 June 2016.

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 2015.

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.

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 2015.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 March 2016

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.