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MATRIX
MATRIX HOLDINGS LIMITED
美力時集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1005)

2022 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the “**Directors**”) of Matrix Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	986,094	1,082,637
Cost of sales		(579,459)	(640,660)
Gross profit		406,635	441,977
Other income	6	16,424	14,456
Other gains and losses	7	(1,918)	(4,135)
Impairment losses on intangible assets		(6,779)	(7,000)
Impairment loss on deposit		(11,000)	–
Distribution and selling costs		(195,268)	(174,590)
Administrative expenses		(153,984)	(154,169)
Research and development costs		(20,624)	(21,529)
Other expenses		(10,446)	(19,441)
Profit from operations		23,040	75,569
Finance costs	8	(4,321)	(4,653)
Profit before tax	10	18,719	70,916
Income tax expense	9	(16,888)	(16,279)
Profit for the year		1,831	54,637

<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Other comprehensive income for the year, net of tax		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(17,614)</u>	<u>2,263</u>
Total comprehensive income for the year	<u>(15,783)</u>	<u>56,900</u>
Profit for the year attributable to:		
Owners of the Company	6,228	55,092
Non-controlling interests	<u>(4,397)</u>	<u>(455)</u>
	<u>1,831</u>	<u>54,637</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	(10,332)	57,355
Non-controlling interests	<u>(5,451)</u>	<u>(455)</u>
	<u>(15,783)</u>	<u>56,900</u>
Earnings per share attributable to owners of the Company:		
Basic earnings per share (expressed in HK cents per share)	<u>0.8</u>	<u>7.3</u>
Diluted earnings per share (expressed in HK cents per share)	<u>0.8</u>	<u>7.3</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		155,881	176,148
Right-of-use assets		235,626	258,463
Intangible assets		96,822	104,685
Deposits	<i>13</i>	112,161	126,116
Deferred tax assets		27,202	26,087
		627,692	691,499
Current assets			
Inventories		253,939	328,671
Trade receivables	<i>13</i>	84,262	185,482
Prepayments, deposits and other receivables	<i>13</i>	35,869	43,899
Current tax assets		2,500	2,515
Bank and cash balances		258,959	164,076
		635,529	724,643
Current liabilities			
Trade payables	<i>14</i>	29,085	71,961
Accruals and other payables	<i>14</i>	95,776	96,497
Contract liabilities		2,549	6,708
Amount due to a director		–	8,302
Bank borrowing		5,945	7,911
Lease liabilities		17,494	17,074
Current tax liabilities		29,745	18,971
		180,594	227,424
Net current assets		454,935	497,219
Total assets less current liabilities		1,082,627	1,188,718

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		44,139	60,491
Deferred tax liabilities		2,723	1,059
		<u>46,862</u>	<u>61,550</u>
NET ASSETS		<u>1,035,765</u>	<u>1,127,168</u>
Capital and reserves			
Share capital		75,620	75,620
Reserves		971,794	1,057,746
		<u>1,047,414</u>	<u>1,133,366</u>
Equity attributable to owners of the Company		1,047,414	1,133,366
Non-controlling interests		(11,649)	(6,198)
		<u>1,035,765</u>	<u>1,127,168</u>
TOTAL EQUITY		<u>1,035,765</u>	<u>1,127,168</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Matrix Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its share are listed on The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of toys and lighting products.

In the opinion of the directors of the Company, as at 31 December 2022, Smart Forest Limited, a company incorporated in the British Virgin Island (“**BVI**”), is the immediate and ultimate parent; and Mr. Cheng Yung Pun, who is also the chairman and executive director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed 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. Note 3 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 consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendment to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2022. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

4. REVENUE

Disaggregation of revenue with customers within the scope of HKFRS 15

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Types of products:		
– Manufacturing and trading of toys	965,250	1,043,113
– Manufacturing and trading of lighting products	20,844	39,524
	986,094	1,082,637
Timing of recognition:		
– At a point in time	986,094	1,082,637

5. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision makers, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of manufacturing and trading of toys and lighting products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

The Group's reportable segments are based on the following geographic location of customers. Locations other than the following countries which are individually below 10 per cent are aggregated and presented under "other locations".

1. The United States
2. Europe
3. Mexico
4. Canada
5. South America
6. Australia and New Zealand

The accounting policies of the operating segments are the same as those to be described in note 4 to the consolidated financial statements included in the annual report of 2022.

For the purpose of monitoring segment performances and allocating resources between segments:

- Segment profits or losses do not include certain other income, other gains and losses, central administrative costs, directors' emoluments and finance costs;
- Segment assets include all tangible, intangible assets and current assets with the exception of property, plant and equipment, right-of-use assets, intangible assets, deferred tax assets and other corporate assets, which are managed on a central basis; and
- Segment liabilities include all current and non-current liabilities with the exception of accrued central administration costs, bank borrowing, deferred tax liabilities and lease liabilities.

(a) Segment revenue and results:

The following is an analysis of the Group's revenue and results by operating segment based on the geographic location of customers:

For the year ended 31 December 2022

	Reportable segments						Total reportable segments	Other locations	Unallocated	Consolidated
	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	736,916	81,797	13,753	84,071	12,602	39,853	968,992	17,102	-	986,094
Results segment profit/(loss)	174,636	(11,289)	1,102	12,215	3,184	(2,133)	177,715	4,309	-	182,024
Unallocated other income										12,902
Unallocated corporate expenses										(171,886)
Finance costs										(4,321)
Profit before income tax										<u>18,719</u>
Other segment information										
Depreciation and amortisation	43,770	2,286	368	2,183	337	1,610	50,554	457	16,682	67,693
Impairment losses on intangible assets	-	-	-	-	-	-	-	-	6,779	6,779
Impairment losses on trade receivables	22	3	-	3	-	1	29	1	-	30
Impairment losses of deposit paid	-	-	-	-	-	-	-	-	11,000	11,000
Impairment losses on inventories	<u>2,282</u>	<u>4,253</u>	<u>43</u>	<u>260</u>	<u>39</u>	<u>123</u>	<u>7,000</u>	<u>53</u>	<u>-</u>	<u>7,053</u>

(b) Segment revenue and results:

For the year ended 31 December 2021

	Reportable segment						Total reportable segments HK\$'000	Other locations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
	The United States HK\$'000	Europe HK\$'000	Mexico HK\$'000	Canada HK\$'000	South America HK\$'000	Australia and New Zealand HK\$'000				
Revenue from external customers	814,094	88,931	12,792	95,983	12,065	41,567	1,065,432	17,205	-	1,082,637
Results segment profit/(loss)	213,904	1,794	1,469	14,733	3,278	(485)	234,693	3,675	-	238,368
Unallocated other income										12,683
Unallocated corporate expenses										(175,482)
Finance costs										(4,653)
Profit before income tax										<u>70,916</u>
Other segment information										
Depreciation and amortisation	51,737	2,908	404	2,929	384	1,389	59,751	547	16,361	76,659
Impairment losses on intangible assets	-	-	-	-	-	-	-	-	7,000	7,000
Impairment losses on trade receivables	1,239	135	19	146	18	63	1,620	27	-	1,647
Reversal of Impairment losses on inventories	(1,566)	(171)	(25)	(185)	(23)	(80)	(2,050)	(32)	-	(2,082)

(c) **Segment assets and liabilities:**

The followings is an analysis of the Group's assets and liabilities by operating segment based on the geographical location of customers:

At 31 December 2022

	Reportable segment						Total reportable segments HK\$'000	Other locations HK\$'000	Consolidated HK\$'000
	The United States HK\$'000	Europe HK\$'000	Mexico HK\$'000	Canada HK\$'000	South America HK\$'000	Australia and New Zealand HK\$'000			
ASSETS									
Segment assets	250,341	33,832	5,034	30,598	4,135	19,286	343,226	21,889	365,115
Reconciliation:									
Unallocated assets									
– Property, plant and equipment									155,881
– Intangible assets									96,822
– Deferred tax assets									27,202
– Right-of-use assets									235,626
– Other current assets									382,575
Total assets									<u>1,263,221</u>
LIABILITIES									
Segment liabilities	68,191	7,449	1,753	7,376	1,610	6,085	92,464	3,400	95,864
Reconciliation:									
Unallocated liabilities									
– Deferred tax liabilities									2,723
– Bank borrowing									5,945
– Lease liabilities									61,633
– Other current liabilities									61,291
Total liabilities									<u>227,456</u>

(d) **Segment assets and liabilities:**

The followings is an analysis of the Group's assets and liabilities by operating segment based on the geographical location of customers:

At 31 December 2021

	Reportable segment						Total reportable segments HK\$'000	Other locations HK\$'000	Consolidated HK\$'000
	The United States HK\$'000	Europe HK\$'000	Mexico HK\$'000	Canada HK\$'000	South America HK\$'000	Australia and New Zealand HK\$'000			
ASSETS									
Segment assets	430,548	28,680	4,161	32,676	3,570	16,523	516,158	28,994	545,152
Reconciliation:									
Unallocated assets									
– Property, plant and equipment									176,148
– Right-of-use assets									258,463
– Intangible assets									104,685
– Deferred tax assets									26,087
– Other current assets									305,607
Total assets									<u>1,416,142</u>
LIABILITIES									
Segment liabilities	105,298	9,507	850	6,765	802	4,594	127,816	2,996	130,812
Reconciliation:									
Unallocated liabilities									
– Bank borrowings									7,911
– Lease liabilities									77,565
– Deferred tax liabilities									1,059
– Other current liabilities									71,627
Total liabilities									<u>288,974</u>

(e) **Geographical information:**

The Group's information about its non-current assets by location of assets are as follow:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	2,567	5,005
Vietnam	307,784	322,851
The United States	123,871	139,303
The PRC	35,954	40,549
Europe	3,196	15,492
Other countries	14,957	16,096
	<u>488,329</u>	<u>539,296</u>

Note: The above non-current assets excluded long-term deposits and deferred tax assets.

(f) **Revenue from major customers:**

There are 2 customers (2021: 2 customers) in the United States of America with revenue amounted to approximately HK\$408,965,000 (2021: HK\$413,267,000) and HK\$167,247,000 (2021: HK\$226,439,000), contributing to approximately 41% and 17% (2021: approximately 38% and 21%), respectively, of the Group's total revenue for the year ended 31 December 2022. There is no other single customer contributing over 10% of the total revenue of the Group.

6. **OTHER INCOME**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants (<i>note (i)</i>)	552	–
Interest income on bank deposits	3,953	2,543
Rental income	3,184	2,675
Sales of scrap materials and samples	907	2,215
Royalty income	63	292
Others (<i>note (ii)</i>)	7,765	6,731
	<u>16,424</u>	<u>14,456</u>

Note (i): The Group recognised government grants of HK\$552,000 (2021: Nil) in respect of Covid-19 related subsidies under the Employment Support Scheme provided by the Hong Kong government for the year ended 31 December 2022.

Note (ii): Included in others are broadcasting income and racing prize money.

7. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposals of property, plant and equipment	410	213
Net foreign exchange losses	(2,298)	(2,701)
Impairment losses of trade receivables, net	(30)	(1,647)
	<u>(1,918)</u>	<u>(4,135)</u>

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on bank borrowings	133	182
Interest expense on lease liabilities	4,188	4,471
	<u>4,321</u>	<u>4,653</u>

9. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Hong Kong		
Provision for the year	<u>–</u>	<u>–</u>
	–	–
– Other jurisdictions		
Provision for the year	16,112	17,501
Under/(over)-provision in prior years	203	(13)
	<u>16,315</u>	<u>17,488</u>
Deferred tax	<u>573</u>	<u>(1,209)</u>
	<u>16,888</u>	<u>16,279</u>

10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	3,384	3,566
– Non audit services	1,212	969
Amortisation of intangible assets	–	1,750
Cost of inventories sold	560,728	638,910
Depreciation of property, plant and equipment	45,469	48,190
Depreciation of right-of-use assets	22,223	26,719
Impairment loss on deposit	11,000	–
Impairment losses of trade receivables, net	30	1,647
Impairment losses/(reversal of impairment losses) of inventories	7,053	(2,082)
Impairment losses on intangible assets	6,779	7,000
Legal and professional fees	10,446	19,441
Royalty expenses	61,521	52,743
Research and development costs recognised as expenses	20,624	21,529
	<u> </u>	<u> </u>

11. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends paid:		
– 2020 final (HK4 cents per share)	–	30,248
– 2021 interim (HK2 cents per share)	–	15,124
– 2021 final (HK6 cents per share)	45,372	–
– 2022 interim (HK 4 cents per share)	30,248	–
	<u> </u>	<u> </u>
	<u>75,620</u>	<u>45,372</u>

Subsequent to the end of the reporting period, the directors of the Company proposed a final dividend in respect of the year ended 31 December 2022 of HK8 cents per share.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Earnings attributable to owners of the Company and profit for the purpose of calculating earnings per share	6,228	55,092
Number of shares		
Weighted average number of ordinary shares of the purpose of basic earnings per share	<u>756,203,000</u>	<u>756,203,000</u>

For the year ended 31 December 2022 and 2021, no diluted loss per share was presented as the Company did not have any diluted potential ordinary shares.

13. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	87,910	190,079
Less: allowance for doubtful debts	<u>(3,648)</u>	<u>(4,597)</u>
	<u>84,262</u>	<u>185,482</u>
Prepayments	11,012	20,056
Deposits	124,025	142,222
– for proposed acquisition of a target company (<i>note</i>)	106,891	122,171
– for raw materials and plant and machineries	11,708	13,626
– for rental and utilities	5,426	6,425
Other receivables	<u>12,993</u>	<u>7,737</u>
	232,292	355,497
Less: non-current portion	<u>(112,161)</u>	<u>(126,116)</u>
	<u>120,131</u>	<u>229,381</u>

Note: On 27 July, 2021, a wholly-owned subsidiary of the Company, Keyhinge Toys Vietnam Joint Stock Company entered into a master capital transfer agreement (“**Master Agreement**”) with NGUYEN HA Chi being the transferor, in respect of the proposed acquisition of a target company. Pursuant to the Master Agreement the transferor conditionally agreed to sell the entire equity interests in the target company, subject to condition precedent, for a total cash consideration of VND356,950,000,000 (equivalent to approximately HK\$117,891,000 (2021: HK\$122,171,000)) (before impairment). The target company will hold certain land plots in Danang City, Vietnam upon completion of the acquisition. This Master Agreement can be terminated by mutual agreement of the parties or either parties in the Master Agreement breaching the terms of the Master Agreement, and such sum will be refunded.

As at 31 December 2022, the carrying amount of the deposit is approximately HK\$106,891,000 (net of allowance for doubtful debts of approximately HK\$11,000,000) (2021: approximately HK\$122,171,000 (net of allowance for doubtful debts of Nil)).

The Group allows a credit period ranged from 14 to 90 days to its customers. The ageing analysis of trade debtors based on the invoice date, and net of allowance is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 60 days	54,529	143,159
61 to 90 days	18,893	26,667
More than 90 days	<u>10,840</u>	<u>15,656</u>
	<u>84,262</u>	<u>185,482</u>

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	4,597	6,516
Write-off	(979)	(3,566)
Net impairment losses recognised for the year	<u>30</u>	<u>1,647</u>
At 31 December	<u>3,648</u>	<u>4,597</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
US\$	62,109	155,540
CAD	5,029	10,419
GBP	6,026	7,185
Others	<u>11,098</u>	<u>12,338</u>
	<u>84,262</u>	<u>185,482</u>

14. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	29,085	71,961
Accrued employee benefit expenses	33,413	46,093
Other payables and accruals	<u>62,363</u>	<u>50,404</u>
	<u>124,861</u>	<u>168,458</u>

The ageing analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 60 days	24,219	36,639
61 to 90 days	1,663	21,179
More than 90 days	<u>3,203</u>	<u>14,143</u>
	<u>29,085</u>	<u>71,961</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HKD	2,590	22,178
US\$	11,355	19,106
RMB	1,980	8,443
VND	8,105	15,808
AUD	2,654	3,538
Others	2,401	2,888
	<u>29,085</u>	<u>71,961</u>

15. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>5,010</u>	<u>5,705</u>

16. CONTINGENT LIABILITIES

The Group is currently involved in a licensing dispute with a business partner (the “**Licensor**”). During the year ended 31 December 2021, both parties conducted a mediation to resolve a portion of the case and the Group has paid US\$3,000,000 to the Licensor (the amount was recorded as royalty expenses under distribution and selling expenses shown in the statement of consolidated profit and loss. Both parties further submitted an open claim to a neutral auditor for resolution (“**Open Claim**”). The neutral auditor's decision shall be final and binding. The Open Claim has a maximum amount of US\$6,000,000.

As at 31 December 2021, in the opinion of the directors of the Company, after seeking legal advices, as the audit progress was on-going, it was too early to provide an evaluation of the likelihood of an unfavourable outcome for any estimate of a range of potential loss from the Open Claim. As such, no provision was recognised in respect of the Open Claim in the consolidated financial statements for the year ended 31 December 2021.

As at 31 December 2022, the audit process resulted in finding against the Group in the amount of approximately US\$3,400,000. The directors of the Company followed the instruction of the neutral auditor and has recognised provision at the same amount as royalty expenses for the year ended 31 December 2022.

RESULTS

During the year of 2022 (the “**year**”), the Group’s consolidated revenue reported approximately HK\$986,094,000, decreased by approximately HK\$96,543,000 or 8.9% as compared to approximately HK\$1,082,637,000 of 2021 (“**last year**”). The profit attributable to the owners of the Company amounted to approximately HK\$6,228,000, representing a decrease of 88.7% as compared with the profit of approximately HK\$55,092,000 last year.

FINANCIAL REVIEW

Revenue

Revenue of the year recorded approximately HK\$986,094,000, decreased by approximately 8.9% from last year as high inflation and fears of lagging economic growth have deterred consumer spending and led to slow down of economic growth in the fourth quarter of Year 2022.

Gross profit

The Group’s gross profit for the year decreased by approximately 8.0% to approximately HK\$406,635,000 due to decrease of sales.

Distribution and selling costs

Distribution and selling costs increased by approximately 11.8% to approximately HK\$195,268,000 for the year. The increase was mainly attributable to the increase in royalty expenses.

Administrative expenses

Administrative expenses of the year decreased by approximately 0.1% to approximately HK\$153,984,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The amount is similar to last year.

Finance costs and income tax

Finance costs of the year decreased by approximately 7.1% to approximately HK\$4,321,000 as compared to last year due to decrease in the interest of bank borrowings and lease liabilities. Income tax expense of this year recorded approximately HK\$16,888,000 as compared to income tax expense of approximately HK\$16,279,000 of last year due to increase in deferred tax expense.

Research and development cost

Research and development (R&D) cost decreased by approximately 4.2% to approximately HK\$20,624,000 for the year as less resources were allocated to conduct R&D for toys product during the year.

Trade receivables, prepayments, deposits and other receivables

Trade receivables of the year decreased by approximately 54.6% to approximately HK\$84,262,000 as compared to last year, mainly due to decrease in sales. Prepayment, deposit and other receivables decreased by approximately 12.9% to approximately HK\$148,030,000, due to decrease in deposit.

Trade payables, accruals and other payables

Trade payables of the year decreased by approximately 59.6% to approximately HK\$29,085,000 as compared to last year, mainly due to decrease in purchase of raw material. Accruals and other payables decreased by approximately 0.7% to approximately HK\$95,776,000, due to decrease in accrued employee benefit expenses.

Quick Ratio

The quick ratio of the year was higher than last year which resulted mainly from the decrease in trade payable during the year.

Current Ratio

The current ratio of the year was higher than last year which resulted mainly from the decrease in trade payable during the year.

Financial position and cash flows review

The Group's cash flow position remained healthy and the bank borrowings were maintained at a minimum level.

Liquidity and Financial Resources

As at 31 December 2022, the Group had bank and cash balances of approximately HK\$258,959,000 (2021: HK\$164,076,000). As at 31 December 2022, the Group obtained banking facilities in a total of approximately HK\$70,000,000 (2021: HK\$70,000,000) which was supported by corporate guarantee.

As at 31 December 2022, the Group had bank borrowings of approximately HK\$5,945,000 (2021: HK\$7,911,000).

The Group's gearing ratio, representing the total debt divided by total equity, decreased to 0.6% (2021: 0.7%) due to the decrease in bank borrowings during the year.

During the year, net cash generated from operating activities amounted to approximately HK\$226,931,000 (2021: HK\$207,747,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

Capital Expenditure and Commitments

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$32,270,000 (2021: HK\$32,699,000) mainly to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

Assets and Liabilities

As at 31 December 2022, the Group had total assets of approximately HK\$1,263,221,000 (2021: HK\$1,416,142,000), total liabilities of approximately HK\$227,456,000 (2021: HK\$288,974,000) and equity attributable to owners of the Company of approximately HK\$1,047,414,000 (2021: HK\$1,133,366,000). The net assets of the Group decreased by approximately 8.1% to approximately HK\$1,035,765,000 as at 31 December 2022 (2021: HK\$1,127,168,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

There was no significant investment and acquisition for the year ended 31 December 2022.

SIGNIFICANT DISPOSAL/IMPORTANT EVENT

There was no significant disposal/important corporate event for the year ended 31 December 2022.

EXCHANGE RATE RISK

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain bank balances, and trade and other receivables and prepayments, trade and other payable and accruals of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

BUSINESS REVIEW

The economy of the United States and Europe have recovered gradually from the pandemic in the first half of 2022. However, the bounce back in demand has stressed supply chains and caused inflation to rise sharply. Besides, the outbreak of Russia-Ukraine war has caused stress in the supply of energy and food worldwide and further boosted the inflation rate. Central banks of various countries increased interest rate in the hope of bringing inflation down. High inflation and fears of lagging economic growth have deterred consumer spending and led to slow down of economic growth in the fourth quarter of 2022. The increase in turnover and gross profit of the Group in the first half of 2022 were offset by the slowdown in the fourth quarter, leading to a decrease eventually. The Group introduced a new car product “Rocket League” in the third quarter of 2022 to enrich its product mix. Meanwhile, the Group has continued to implement cost controls and automation. The Group prudently managed its financial and cash position to overcome the challenging operating environment.

Manufacturing operations

The Group maintains its main production base in Vietnam. Leveraging on its leading position in the industry and expansionary strategy in Vietnam, the Group has re-organised its plant processes and optimised the supply chain processes, resulting in lower production costs. With a view to enhancing its competitiveness, the Group increased its production capacity and quality by localising its production and management operations and improving its automatic production.

Segment performance

Surging utility bill and food prices eroded consumer purchasing power. Job creation and consumer spending on goods and services have been slowing, and consumer and business confidence were weakening. Focusing on overseas customers in the United States and Europe, the Group strived to retain customers by improving products and inventory management and therefore mitigate the negative impact caused by the COVID. The Group continues to uphold the proven strategy of its established brands. In addition, the Group has been actively launching new marketing campaigns for new toy products of brands such as “CAT”, “Fart Ninjas” and “Bright Fairy Friends”.

The US

The US was still a major export market for the Group’s products. Our revenue decreased by approximately HK\$77,178,000 or 9.5% to approximately HK\$736,916,000 for the year from approximately HK\$814,094,000 for the last year.

The US economy recovered gradually in 2022 after the coronavirus pandemic. High inflation and rising prices followed. The Federal Reserve fought against inflation aggressively. High inflation eroded the purchasing power of consumers and hence affected sales in the fourth quarter of 2022.

The sales from Original Equipment Manufacturing and mass-market retailers for Original Design Manufacturing (“**ODM**”) toy car products under new brands decreased. Besides, the sales of lighting products and Original Brand Manufacturing (“**OBM**”) outdoor products of “Gazillion® Bubbles” also decrease. As a result, the revenue generated from the US market recorded a decrease.

The Group would strive to maintain its authorised licensing business for major brands, enrich other product lines and retain existing distributors and clients, including Wal-Mart, Target and Amazon.

Canada

Our revenue in the Canadian market decreased by approximately HK\$11,912,000 or 12.4% to approximately HK\$84,071,000 for the year from approximately HK\$95,983,000 last year.

The Canadian economy shrank in the last quarter of 2022, mostly caused by less spending by businesses and households. The central bank of Canada has been scrambling to try to bring down the country's inflation rate. Rising prices have affected the ability of households to meet day-to-day expenses. The sales from toy car products such as "CAT" and "Herodrive", OBM outdoor game products of "Gazillion® Bubbles" and girls' toy series products decreased. On the other hand, the sales of toy car product "Rocket League" increased. As a whole, the revenue generated from the Canadian market recorded a decrease.

The Group will make efforts to maintain its existing distributors and clients, such as Wal-Mart, Costco Canada and Canadian Tire Corporation.

Europe

Our revenue in Europe decreased by approximately HK\$7,134,000 or 8.0% to approximately HK\$81,797,000 for the year from approximately HK\$88,931,000 last year.

Europe's economy recorded meager gains in 2022 as galloping inflation driven by high energy prices and the Russia-Ukraine war deterred people from spending. Natural gas prices were three times higher than before, leading companies to pass on costs to customers by charging more for goods and food.

Sales of toy car products and girl role play products "My Life As" decreased. The Group recorded a decrease in orders from customers in UK, Spain, Poland, Malta, Finland, and Lithuania. However, the orders from customers in Denmark, Netherlands, Italy, Switzerland, Belgium, Germany, Sweden, Czech Republic, France, Portugal, Ireland, Greece, Slovenia and Hungary increased. Overall, our revenue in the European market recorded a decrease. The Group will continue its efforts to maintain existing distributors and clients such as Costco.

Mexico

Our revenue in Mexico increased by approximately HK\$961,000 or 7.5% to approximately HK\$13,753,000 for the year from approximately HK\$12,792,000 last year.

The economy of Mexico recovered in 2022 and record 3.1% increase in GDP. Due to increase in orders for the Group's ODM toy car products, our total revenue in the Mexican market recorded an increase.

Australia and New Zealand

Our revenue in the Australia and New Zealand markets decreased by approximately HK\$1,714,000 or 4.1% to approximately HK\$39,853,000 for the year from approximately HK\$41,567,000 last year.

The economy of Australia slowed in the fourth quarter of 2022 due to rising interest rate and high inflation. Domestic prices rose at the strongest annual pace since early 1990, with services inflation stoked by a shortage of skilled workers and rising labour costs.

The Group recorded a decrease in sales of girls' toy series product "Bright Fairy Friends" and ODM toy car products such as "Mighty Fleet". However, the sales of "Rocket League" and OBM outdoor products of Gazillion® Bubbles increased. Our overall market revenue in Australia and New Zealand recorded a decrease. The Group will continue its efforts to maintain its existing distributors and clients such as Big W.

South America

Our revenue in South America markets increased by approximately HK\$537,000 or 4.5% to approximately HK\$12,602,000 for the year from HK\$12,065,000 last year.

South America's economies held up well in 2022 despite the outbreak of Russia-Ukraine war and global interest rate hikes. The region's economy expanded by nearly 4% in 2022, employment recovered strongly, and the service sector rebounded from the negative impact brought about by the pandemic. Overall, the Group recorded an increase in sales in Panama, Argentina, Chile, Honduras, Ecuador, Peru, Uruguay and Dominican Republic; however, sales orders in Costa Rica, Guatemala, Paraguay, Bolivia, Nicaragua decreased. As a whole, our revenue in South American markets recorded an increase.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of approximately 3,000 (2021: 5,600) employees in Hong Kong, Macau, the PRC, Vietnam, Australia, the US, Canada, Taiwan, Mexico and Europe. The Group provides its employees with competitive remuneration packages commensurate with the level of pay established by the market trend in comparable businesses. A share option scheme was adopted by the Group for selected participants (including full-time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

ENVIRONMENTAL PROTECTION

The Group believes that maintaining a healthy and harmonious relationship with its stakeholders and fulfilling its social responsibilities to the community is essential for building and preserving the value of the Group. Adhering to the principle of Reducing, Recycling and Reusing, the Group encourages green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances, and will consider implementing further eco-friendly measures and practices in the operation of the Group's business.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those that have significant impact on the Group. The Board and internal audit function team delegated by the Board monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. In accordance with the requirements of the laws, regulations and related policies in Hong Kong, the PRC, Vietnam and other relevant jurisdictions, the Company provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund, basic medical insurance and labour insurance. All employees are entitled to statutory holidays. The Group has registered its products, domain name and trademarks in Hong Kong, the PRC and other relevant jurisdictions and takes all appropriate actions to protect and enforce its intellectual property rights.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges that employees, customers and business partners are crucial to its sustainable growth. The Group is hence committed to providing a friendly and caring working environment for its employees, providing excellent service to its customers and maintaining trust relationship with its business partners.

PROSPECT

Looking forward, 2023 is likely to be a challenging year. It is expected that persistently high inflation and rising interest rates will continue to affect many countries. Sales will also be hindered by the economic slowdown in the Group's major markets, particularly the United States and European countries. Besides, downside risks include exacerbating tension between the United States and China as well as the Russia-Ukraine war continue to affect global economy.

Despite the economic and geopolitical uncertainties, the Group will take an agile approach to enrich its product mix and enhance customer portfolio diversification. Besides, the Group will continue to prudently manage its financial and cash position, hence enhancing its resilience to adverse business operation environment. From the perspective of manufacturing, we will continue to enhance automation to improve efficiency and bring long-term and highest returns to shareholders.

FINAL DIVIDEND

During the year, the Company paid an interim dividend of HK4.0 cents (2021: HK2.0 cents) in cash per share to the shareholders. The Directors have resolved to recommend the payment of a final dividend of HK8.0 cents (2021: HK6.0 cents) in cash per share for the year ended 31 December 2022, payable to shareholders whose names appear on the Register of Members of the Company on 18 May 2023. Together with the interim dividend paid of HK4.0 cents per share, the total dividend per share for the year is HK12.0 cents (2021: HK8.0 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 1 June 2023 in cash.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed shares of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CG CODE”)

The Board has adopted the corporate governance code (the “**CG Code**”) and amended it from time to time, which is based on the principles set out in Appendix 14 (the “**HKEx Code**”) to the Listing Rules on the Stock Exchange.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year, in compliance with the HKEx Code and CG Code except for the deviation from code provision B.2.4(a). Under the code provision B.2.4(a), where all the independent non-executive directors (“**INEDs**”) of an issuer have served more than nine years on the board, the issuer should disclose the length of tenure of each existing INED on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. While the Company has disclosed in circular dated 14 April 2022 (the “**Circular**”) that Dr. Loke Yu alias Loke Hoi Lam (“**Dr Loke**”) and Mr. Mak Shiu Chung, Godfrey (“**Mr. Mak**”), the two INEDs who were subject to re-election, have served more than 9 years and stipulated the commencement date of their appointments and provided reasons why they were suitable for re-election, we did not explicitly specify the length of tenure of each existing INED due to different interpretation of the requirements of this code provision. As at the date of the Circular, Dr. Loke Yu has served as INED of the Company for 17 years and 7 months, Mr. Mak has served as INED of the Company for 21 years and 11 months, Mr. Heng Victor Ja Wei has served as INED of the Company for 9 years and 4 months.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted and amended from time to time its code for securities transactions by directors of listed issuers as the code of conduct governing directors’ securities transactions in compliance with the recently amended Appendix 10 to the Listing Rules (the “**Model Code**”). All Directors of the Company during the year, following specific enquiry by the Company, have confirmed that they have complied with the required standard set out in the Company’s own code and the amended Model Code throughout the year.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 12 May 2023 at 2:30 p.m. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 May 2023 to 12 May 2023, both days inclusive for the entitlement to attend the AGM, and be closed on 18 May 2023 for the final dividend entitlement, during such periods no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 8 May 2023. In order to be eligible to have final dividend, all transfers accompanied by the relevant share certificates must be lodged with the address of the Company's Branch Share Registrar in Hong Kong as abovementioned, not later than 4:30 p.m. on 17 May 2023.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange. The 2022 Annual Report and Notice of AGM of the Company will be despatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

BOARD COMPOSITION

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Mr. Tsang Chung Wa, Mr. Tse Kam Wah and Ms. Yip Hiu Har as executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey and Mr. Heng Victor Ja Wei as independent non-executive Directors.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 28 March 2023

* *For identification purpose only*