MATRIX HOLDINGS LIMITED
美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2017 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of Matrix Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2017

	Notes	**2017** HK$'000	2016 HK$'000
Revenue	4	**1,434,008**	1,247,218
Cost of sales	8	**(964,724)**	(797,933)
Gross profit		**469,284**	449,285
Other income	5	**2,269**	1,009
Other gains and losses	6	**3,574**	(5,993)
Distribution and selling costs	8	**(138,719)**	(136,811)
Administrative and other expenses	8	**(200,254)**	(150,508)
Research and development costs	8	**(27,223)**	(21,685)
Operating profit		**108,931**	135,297
Finance costs	7	**(2,049)**	(22)
Profit before income tax		**106,882**	135,275
Income tax credit (expense)	9	**1,648**	(12,621)
Profit for the year		**108,530**	122,654

* *For identification purpose only*

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(6,974)**	4,959
Other comprehensive income for the year, net of tax		**101,556**	127,613
Profit (loss) for the year attributable to:			
Owners of the Company		**112,670**	122,654
Non-controlling interests		**(4,140)**	–
		108,530	122,654
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**105,696**	127,613
Non-controlling interests		**(4,140)**	–
		101,556	127,613
Earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic earnings per share	*11*	**15**	16
Diluted earnings per share	*11*	**15**	16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**177,984**	136,339
Leasehold land and land use rights		**12,354**	12,837
Intangible assets		**120,677**	96,822
Deferred tax assets		**13,891**	6,220
Deposits paid	*12*	**37,979**	11,520
Other non-current assets		**186,000**	186,000
		548,885	449,738
Current assets			
Inventories		**328,472**	324,838
Trade and other receivables and prepayments	*12*	**352,305**	264,321
Tax receivable		**3,140**	18
Pledged bank deposit		**–**	136
Cash and cash equivalents		**74,284**	143,381
		758,201	732,694
Total assets		**1,307,086**	1,182,432
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**75,620**	75,620
Reserves		**944,727**	904,562
Equity attributable to owners of the Company		**1,020,347**	980,182
Non-controlling interests		**7,211**	–
Total equity		**1,027,558**	980,182

	Notes	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**938**	663
Obligations under finance leases		**1,469**	–
		2,407	663
Current liabilities			
Trade and other payables and accruals	*13*	**213,235**	191,687
Tax payables		**8,570**	8,537
Bank borrowings		**53,567**	1,363
Obligations under finance leases		**1,749**	–
		277,121	201,587
Total liabilities		**279,528**	202,250
Total equity and liabilities		**1,307,086**	1,182,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017

1. General information

Matrix Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and trading of toys and lighting products. The principal activities of the Company are investment holding and those of its principal subsidiaries are disclosed in annual report.

The Company is an exempted limited liability company incorporated in Bermuda. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 – 2016 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items will be provided in the consolidated financial statements for the year ended 31st December, 2017. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the consolidated financial statements for the year ended 31st December, 2017, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. Revenue and segment information

The chief operating decision-makers ("CODM") have been identified as the Executive Directors. Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by the CODM in order to assess performance and allocate resources. The CODM assess the performance of the reportable segments based on the profit and loss generated.

The Group's operating segments under HKFRS 8 are the United States, Europe, Mexico, Canada, South America, Australia and New Zealand and other locations based on the geographical location of customers.

The CODM assess the performance of the operating segments based on segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Assets of reportable segments exclude property, plant and equipment, intangible assets, deferred income tax assets and other corporate assets, all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities, bank borrowings and other corporate liabilities. These are part of the reconciliation to total assets and liabilities of the consolidated statement of financial position.

The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

There are two main businesses of the Group, including toys and lighting business. CODM did not consider the lighting business as a separate segment for both years as it is not material to the Group.

Segment revenues and results

For the year ended 31st December, 2017

	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Other locations HK$'000 (Note)	Unallocated HK$'000	Consolidated HK$'000
REVENUE									
External sales	**1,248,335**	**90,154**	**4,996**	**50,284**	**7,712**	**25,836**	**6,691**	**–**	**1,434,008**
RESULTS									
Segment profit (loss)	**262,824**	**(7,537)**	**595**	**4,056**	**1,127**	**(1,153)**	**(2,024)**	**–**	**257,888**
Unallocated income, gains and losses									**1,044**
Unallocated expenses									**(150,001)**
Finance costs									**(2,049)**
Profit before income tax									**106,882**
Other segment information:									
Depreciation and amortisation	**30,131**	**4,078**	**91**	**602**	**143**	**343**	**101**	**3,718**	**39,207**

For the year ended 31st December, 2016

	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Other locations HK$'000 (Note)	Unallocated HK$'000	Consolidated HK$'000
REVENUE									
External sales	1,092,870	28,587	9,387	70,577	9,387	24,781	11,629	–	1,247,218
RESULTS									
Segment profit (loss)	221,085	5,630	2,231	9,409	2,097	1,227	(5,627)	–	236,052
Unallocated income, gains and losses									98
Unallocated expenses									(100,853)
Finance costs									(22)
Profit before income tax									135,275
Other segment information:									
Depreciation and amortisation	30,561	572	136	779	137	218	81	3,935	36,419

Segment profit (loss) represents the profit (loss) before taxation earned by each segment without allocation of certain income, gains and losses, central administration costs and finance costs. This is the measure reported to the CODM, for purposes of resource allocation and performance assessment.

Segments assets and liabilities

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

As at 31st December, 2017

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	Other locations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
							(Note)	
ASSETS								
Segment assets	**539,277**	**46,195**	**1,775**	**21,045**	**2,833**	**10,934**	**96,697**	**718,756**
Property, plant and equipment								**177,984**
Leasehold land and land use rights								**12,354**
Unallocated and other corporate assets								**397,992**
Total assets								**1,307,086**
LIABILITIES								
Segment liabilities	**91,017**	**26,670**	**332**	**3,340**	**512**	**1,816**	**10,109**	**133,796**
Unallocated and other corporate liabilities								**145,732**
Total liabilities								**279,528**

As at 31st December, 2016

	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Other locations HK$'000 (Note)	Consolidated HK$'000
ASSETS								
Segment assets	465,721	17,762	2,575	23,579	2,580	14,100	74,363	600,680
Property, plant and equipment								136,339
Leasehold land and land use rights								12,837
Unallocated and other corporate assets								432,576
Total assets								1,182,432
LIABILITIES								
Segment liabilities	95,027	2,545	648	4,874	648	2,376	10,436	116,554
Unallocated and other corporate liabilities								85,696
Total liabilities								202,250

Note: Other locations include the People's Republic of China (the "PRC") (including Hong Kong), Taiwan, Korea, Asia Pacific and others. These locations are considered by the CODM as one operating segment.

For the purposes of monitoring segment performances and allocating resources between segments, only inventories, trade receivables and certain other receivables are allocated to segment assets, and only trade payables and certain other payables and accruals are allocated to segment liabilities.

Other segment information

No analysis of capital expenditures is disclosed for both years as these items are neither included in segment assets nor segment results and are not reviewed by the CODM regularly.

Revenue from major products

	2017	2016
	HK$'000	*HK$'000*
Toys	**1,362,940**	1,231,707
Lighting products	**71,068**	15,511
	1,434,008	1,247,218

Geographical information

The Group's operations are located in Hong Kong, Vietnam, the United States, the PRC, Europe and other countries.

The Group's information about its non-current assets by geographical location of the assets is detailed below:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**1,493**	3,188
Vietnam	**137,562**	91,662
The United States	**12,778**	14,330
The PRC	**237,223**	236,250
Europe	**20,815**	870
Other countries	**4,446**	396
	414,317	346,696

Note: Non-current assets excluded intangible assets and deferred tax assets.

Information about major customers

For the year ended 31st December, 2017, there are 2 customers (2016: 2 customers) in the United States with revenue amounted to HK$799,978,000 (2016: HK$526,046,000) and HK$224,843,000 (2016: HK$298,612,000), contributing to approximately 55.8% and 15.7% (2016: 42.2% and 23.9%), respectively, of the total revenue of the Group. There is no other single customer contributing over 10% of the total revenue of the Group.

5. Other income

	2017	2016
	HK$'000	*HK$'000*
Interest income on bank deposits	**48**	26
Sales of scrap materials	**94**	903
Others	**2,127**	80
	2,269	1,009

6. Other gains and losses

	2017	2016
	HK$'000	*HK$'000*
Gain (loss) on disposal of property, plant and equipment	**994**	(6)
Net exchange gain (loss)	**5,921**	(6,409)
(Provision for) reversal of impairment of trade receivables	**(3,341)**	422
	3,574	(5,993)

7. Finance costs

	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**2,013**	22
Finance leases	**36**	–
	2,049	22

8. Profit before income tax

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Raw materials and consumables used	**491,320**	325,481
Changes in inventories of finished goods and work-in-progress	**(50,357)**	(13,402)
Employee benefit expense	**539,341**	449,567
Depreciation of property, plant and equipment	**37,906**	35,938
Operating lease expenses	**26,279**	22,991
Advertising costs	**26,691**	34,330
Auditor's remuneration		
– Audit services	**3,941**	4,481
– Non-audit services	**1,844**	1,205
Amortisation of leasehold land and land use rights	**483**	481
Amortisation of intangible assets (included in cost of sales)	**818**	–
Royalty expenses	**28,042**	38,855
Freight charges	**25,307**	25,434
Litigation claim	**15,592**	–
Other expenses	**183,713**	181,576
	1,330,920	1,106,937
Representing:		
Cost of sales	**964,724**	797,933
Distribution and selling costs	**138,719**	136,811
Administrative and other expenses	**200,254**	150,508
Research and development costs	**27,223**	21,685
	1,330,920	1,106,937

9. Income tax (credit) expense

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**322**	121
– Other jurisdictions	**8,541**	8,813
(Over) under-provisions in prior years:		
– Hong Kong	**–**	4,198
– Other jurisdictions	**(2,505)**	36
Deferred tax	**(8,006)**	(547)
	(1,648)	12,621

10. Dividends

The total dividends paid in 2017 and 2016 were HK$86,964,000 (HK11.5 cents per share) and HK$132,336,000 (HK17.5 cents per share), respectively. A final dividend in respect of the year ended 31st December, 2017 of HK5 cents (2016: HK7 cents) per share, amounting to approximately HK$37,810,000 (2016: HK$52,934,000), is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as the final dividend was proposed after the date of statement of financial position and will be accounted for in equity as an appropriation of retained profits in the year ending 31st December, 2018 when approved at the forthcoming annual general meeting.

	2017	2016
	HK$'000	*HK$'000*
Paid		
Interim dividend paid HK4.5 cents (2016: HK4.5 cents) per ordinary share	**34,030**	34,030
Proposed		
Final dividend proposed HK5 cents (2016: HK7 cents) per ordinary share	**37,810**	52,934

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**112,670**	122,654
	'000	*'000*
Weighted average number of ordinary shares in issue	**756,203**	756,203
	HK cents	*HK cents*
Basic and diluted earnings per share	**15**	16

Diluted earnings per share for the year ended 31st December, 2016 is same as the basic earnings per share because there were no dilutive potential ordinary shares in issue for 2016.

The computation of diluted earnings per share for the year ended 31st December, 2017 did not assume the exercise of the Company's share options because the exercise price of these share options was higher than the average market price of shares for the current year.

12. Deposits paid, trade and other receivables and prepayments

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**295,557**	217,472
Less: Allowance for doubtful debts	**(8,047)**	(5,113)
	287,510	212,359
Prepayments	**27,945**	22,018
Other deposits and other receivables	**22,017**	26,351
Deposits paid for purchase of raw materials	**11,223**	1,956
Deposits paid for purchase of property, plant and equipment	**30,940**	9,201
Deposits paid for purchase of patents	**4,877**	–
Rental and utilities deposits	**5,772**	3,956
	390,284	275,841
Less: Non-current deposits paid	**(37,979)**	(11,520)
	352,305	264,321

The Group allows a credit period of 14 to 90 days to its trade customers. An ageing analysis of trade receivables based on invoice date at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 60 days	**234,335**	170,310
61 – 90 days	**45,649**	36,134
More than 90 days	**7,526**	5,915
	287,510	212,359

As of 31st December, 2017, trade receivables of HK$253,905,000 (2016: HK$179,501,000) were fully performing and not past due.

As of 31st December, 2017, trade receivables of HK$33,605,000 (2016: HK$32,858,000) were past due but not impaired. These related to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables which are past due but not impaired based on invoice date at the end of the reporting date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 60 days	**30,483**	28,178
61 – 90 days	**451**	747
More than 90 days	**2,671**	3,933
	33,605	32,858

As of 31st December, 2017, the Group has provided for impairment of HK$8,047,000 (2016: HK$5,113,000) on certain individually impaired trade receivables who have either been placed under liquidation or in severe financial difficulties.

Movements in the Group's provision for impairment of trade receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1st January	**5,113**	5,535
Provision for (reversal of) impairment of trade receivables	**3,341**	(422)
Amount written-off as uncollectible	**(419)**	–
Exchange difference	**12**	–
At 31st December	**8,047**	5,113

The other classes within trade and other receivables and prepayments do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13. Trade and other payables and accruals

Trade and other payables and accruals principally comprise amounts outstanding for trade purposes and daily operating costs.

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**95,263**	86,137
Accrued employee benefit expenses	**53,352**	47,343
Advance receipts from customers	**37,739**	9,059
Other payables and accruals	**26,881**	49,148
	213,235	191,687

The credit period taken for trade purchases is 30 to 60 days. The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 – 60 days	**68,318**	55,110
61 – 90 days	**18,474**	16,042
More than 90 days	**8,471**	14,985
	95,263	86,137

14. Capital commitments

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

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	**27,727**	10,795

15. Contingent liabilities

Matrix Resources Enterprise Limited, Keyhinge Enterprises (Macao Commercial Offshore) Co Ltd. and Maxguard Limited, subsidiaries of the Company (the "Subsidiaries"), are involved in a litigation related to the claims of fund transfer from Matrix Distribution Limited ("MDL") for no legitimate commercial purpose or justification.

As at 31st December, 2016, the legal claims were in progress and the results were uncertain. On the basis of legal advice obtained, the Directors were of the opinion that there was no present obligation to pay any claims arising from this litigation existed as at 31st December, 2016. Therefore, no provision has been made in the consolidated financial statements for the year ended 31st December, 2016 in respect of these matters.

During the year, the parties involved in the litigation have negotiated the settlement of claims in order to minimise the potential legal costs and a settlement amount of HK$15,592,000 was agreed amongst the parties and a litigation claim expense of HK$15,592,000 is recognised and included in the administrative and other expenses in the consolidated statement of profit or loss and other comprehensive income.

RESULTS

As at 31st December, 2017, the Group's consolidated revenue increased by approximately HK$186,790,000 or 15.0% to approximately HK$1,434,008,000 from HK$1,247,218,000 in the last year. The profit attributable to the owners of the Company decreased by approximately HK$9,984,000 or 8.1% to approximately HK$112,670,000 from approximately HK$122,654,000 of last year.

FINANCIAL REVIEW

Revenue

The year under review recorded an increase in revenue by HK$186,790,000 to HK$1,434,008,000.

Gross profit

The Group's gross profit increased to approximately HK$469,284,000 as at 31st December, 2017 due to the increase in sales.

Distribution and selling costs

Distribution and selling costs increased to approximately HK$138,719,000 as at 31st December, 2017. The increase in distribution and selling costs was mainly attributable to the expansion in sales team for the toys products.

Administrative and other expenses

Administrative and other expenses mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The total expenses increased was attributable in equity-settled share based expense and legal and professional fee.

Finance costs and income tax

Finance costs of this year increased to approximately HK$2,049,000 as compared to last year due to increase of the bank borrowings, and income tax credit of this year was HK$1,648,000, as compared to an income tax expense of HK$12,621,000 of last year, primarily due to the increase of deferred income tax assets.

Research and development costs

Research and development costs increased by approximately HK$5,538,000 or 25.5%, primarily for our expanding lighting business.

Trade and other receivables and prepayments

Trade and other receivables and prepayments increased by approximately HK$87,984,000 to approximately HK$352,305,000 for this year as compared to last year, attributable mainly to the increase in revenue.

Trade and other payables and accruals

Trade and other payables and accruals increased by approximately HK$21,548,000 to approximately HK$213,235,000 for this year as compared to last year, which was mainly due to the increase in purchases of raw materials and advance receipts from customers.

Quick Ratio

During the year, the quick ratio was slightly lower than last year, but the liquidity still maintain at a healthy position.

Current Ratio

During the year, the current ratio was slightly lower than last year.

Financial position and cash flows review

The Group's cash flow position was healthy and the bank borrowings were utilized for short term operating purpose.

Liquidity and Financial Resources

As at 31st December, 2017, the Group had cash and cash equivalents of approximately HK$74,284,000 (2016: HK$143,381,000) and pledged bank deposit of approximately HK$Nil (2016: HK$136,000) secured for bank loans. As at 31st December, 2017, the Group obtained banking facilities in a total of approximately HK$144,621,000 (2016: HK$153,150,000) of which HK$70,000,000 was supported by corporate guarantee and HK$74,621,000 was secured with floating charge on certain assets of the Group.

As at 31st December, 2017, the Group had bank borrowings of approximately HK$53,567,000 (2016: HK$1,363,000). The Group's gearing ratio, representing the total debt divided by total equity was 5.21% (2016: 0.14%).

During the year, net cash generated from operating activities amounted to approximately HK$76,241,000 (2016: HK$178,597,000). 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$46,394,000 (2016: HK$25,218,000) 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 31st December, 2017, the Group had total assets of approximately HK$1,307,086,000 (2016: HK$1,182,432,000), total liabilities of approximately HK$279,528,000 (2016: HK$202,250,000) and equity attributable to owners of the Company of approximately HK$1,020,347,000 (2016: HK$980,182,000). The net assets of the Group increased by 4.8% to approximately HK$1,027,558,000 as at 31st December, 2017 (2016: HK$980,182,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

On 16th January, 2017, the Group acquired a 65% interest in Fern-Howard Limited ("Fern-Howard") from an independent third party. The consideration of the transaction was HK$25,121,000 and settled in cash. Fern-Howard is principally engaged in the design, manufacture, marketing and distribution of energy efficient lighting products.

Except for the significant investments and acquisition as disclosed above, there was no significant investment and acquisition for the year ended 31st December 2017.

SIGNIFICANT DISPOSAL/IMPORTANT EVENT

There was no significant disposal/important corporate event for the year ended 31st December, 2017.

SUBSEQUENT EVENT

In January 2018, Assetnet Limited, an indirect wholly-owned subsidiary of the Group, as the borrower entered into a loan agreement for an aggregate loan amount of RMB225,000,000 (approximately HK$265,500,000) for a term of one year. The loan is interest-bearing at 3% per annum, secured by the right to purchase of the other non-current assets, and will be made available to Assetnet Limited in two tranches. Further details are set out in the announcement of the Company dated 8th January, 2018.

Up to the date of issuance of these consolidated financial statements, the first tranche amounting to RMB100,000,000 (approximately HK$118,000,000) has been drawn by the Group.

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, pledged bank deposit and trade and other receivables and prepayments, trade and other payables and accruals and bank borrowings 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

During the year under review, the OEM business performed well, driving a year-on-year increase in both sales and revenue. Leveraging on its professional manufacturing techniques and stable production management team, the Group has recorded growth for many years in a row. The Group has strived to strengthen its core business through proactive approaches such as establishing sales channels, developing products under both self-owned brands and licensed brands and seeking new sales opportunities globally. It actively introduced new sales programs to its self-owned brand outdoor products of "Gazillion ® Bubbles", licensed brand toy cars of "Tonka" and girls role-playing series of "Positively Perfect" and "Luna Petunia", as well as other new products such as "DC Superfriends", "Space Racers", "Herodrive" and "Sunny Bunnies". The Group recorded a decrease in sales of licensed brand plush products of "My Little Pony" and "Singamaling", girls role-playing products of "Baby Alive" and toy car products of "Tonka", and an increase in sales of outdoor game products of "Gazillion ® Bubbles", girls role-playing products of "Positively Perfect" and "Luna Petunia". The sustained recovery in the North America market has been a positive factor to the Group's sales growth. Overall, the OEM business recorded an increase in revenue, resulting in an increase in the Group's revenue as a whole.

In line with the Group's strategies to expand its portfolio beyond toy segment, the Group acquired a UK company which is engaged in the design, manufacture, marketing and distribution of lighting products and a Taiwan company which is engaged in the development of high-end LED products. These acquisitions allow us to provide a broader range of products, and will not only complement to the Group's lighting products, but also stimulate sales growth of the acquired brands.

The Group has made efforts to optimise its procurement strategy and further improve the production process, with an aim to reduce resource waste, lower relevant costs and control selling and distribution costs. The Group recorded a decrease in profit as compared with last year due to an increase in administrative expenses and recognition of share-based non-cash payment charge on grant of options.

Manufacturing operation

In view of the year-on-year growth in Vietnam's economy driven by the expansion in the industry sector, along with slower minimum wage growth, the Group remained optimistic about the operating environment and economic potential of Vietnam. The Group maintains its main production base in Vietnam. With a view to improving production efficiency for greater economic benefits and meeting the quality requirement of customers and latest local regulations, the Group has invested to expand its production scale and upgrade its production facilities in Vietnam. The expanded Vietnam plant has contributed positively to the overall sales of the Group. However, the climbing labour costs and employee expenses as well as fixed asset investment have exerted pressure on the Group's costs. The Group continued to invest in automation and facilities to enhance production efficiency.

The Group adopted more effective methods and techniques to maintain product quality and safety, and paid close attention to and monitored the changes in safety standards and regulations in different markets to ensure compliance with the new requirements. The Group will continue to produce high quality products with competitive prices, increase product value, and thus increase revenue.

Segment performance

The Group's core business remained the same as last financial year. Overall speaking, the OEM toy business has remained relatively stable and the self-owned brand manufacture business has brought new contributions, which together resulted in an satisfactory results. The self-owned brand outdoor products of "Gazillion ® Bubbles", toy car products of "Tonka" and the girls role-playing series continued to be sold in large retailers. Despite the intensive competition in the US market, and the unsustainable sales growth momentum in other markets as a result of the Brexit and weak currency, the overall sale performance, especially in the US market, remained satisfactory.

Leveraging its leading position in the global toy industry, strong customer base including top-tier toy companies worldwide, established production base in Vietnam as well as its sound financial situation, the Group is in a favourable position to capture the emerging opportunities and develop new products with its proven two-pronged strategy in business development, i.e., taking OEM business as a strong foundation and self-owned brand manufacture business as the growth driver, in order to achieve long-term sustainable growth. In addition, the Group places great emphasis on quality and design to improve product value while fulfilling international regulations on toy safety.

The United States ("US")

The US was still a major export market for the Group's toy products. Our revenue increased by approximately HK$155,465,000 or 14.2% to approximately HK$1,248,335,000 this year from approximately HK$1,092,870,000 last year.

Economic growth in the US has been energetic. Private consumption has remained strong thanks to low unemployment and higher wages. Following the steady recovery, however, there have been further signs of benign price pressures, with a pickup in the all-items index. Soft energy prices, tame inflation, reduced fiscal drag, strengthened household, corporate and bank balance sheets, and an improving housing market will remain in place for robust economic performance.

The US remained a major export market for the Group's toy products. Orders from mass-market retailers decreased in the year, which led to a decrease in sales of ODM products. However, the increase in sales of OEM business had offset the decrease in sales of ODM business, resulting in an increase in the total revenue generated from the US market. Overall, sales in the US market remained stable in the year due to stable performance in sales of toy car products of "Tonka", self-owned brand outdoor products of "Gazillion ® Bubbles" and girls role-playing products and orders from major retailers. The Group will strive to maintain its authorised licensing business for major brands, enrich other product lines and retain existing distributors and clients like Wal-Mart, Target, Toys "R" US, Costco and Amazon.

Canada

Our revenue in the Canadian market decreased by approximately HK$20,293,000 or 28.8% to HK$50,284,000 this year from approximately HK$70,577,000 last year.

While the Canadian economy is expected to strengthen in line with the stronger US economy and the stabilisation of commodity prices, the end of the era of ultra-low interest rates, plus uncertainties stemming from North America Free Trade Area ("NAFA") renegotiation and the US's post-QE policies and tax reform and soft crude oil prices will likely cloud the country's growth ahead.

Canada remains the second largest market of the Group following the US. The sales of girls role-playing products, toy car products and plush products decreased in the year, which offset the increase in the sales of self-owned brand outdoor products of "Gazillion ® Bubbles". As a whole, the revenue generated from the Canadian market recorded a decrease during the year. Despite subdued sales performance, the sales from mass-market retailers for girls role-playing products and toy car products of "Tonka" remained relatively stable. The Group will make efforts to maintain its existing distributors and clients, such as Wal-Mart and Toys "R" US.

Europe

Our revenue in Europe increased by approximately HK$61,567,000 or 215.4% to approximately HK$90,154,000 this year from approximately HK$28,587,000 last year.

So far, the EU economy has demonstrated resilience as it maintains the course of growth and job creation, thanks to a number of favourable factors such as acceleration in exports, a weaker euro, lower deflationary pressure and a continued support of accommodative monetary policy and fiscal stance of the European Central Bank. Overall, the EU economy expanded by a faster pace, while eurozone's GDP growth also quickened. This steady expansion should remain driven by domestic demand, thanks to the falling unemployment rate to the lowest since 2009 in the year under review. Despite continued improvement in financing conditions, there are certain uncertainties related to Brexit, the post-election developments in some major Member States, as well as the uncertainty over future US external policies, plus the heightened geopolitical tensions and the lingering immigration problem.

Russia's gross domestic product contracted for the second consecutive year. Following the commencement of the formal exit process which has led to a prolonged period of uncertainty and aggravated by a choppy sterling, the UK economy is forecast to see slower growth in the years ahead. On the other hand, steady improvement in the labour market and rebound in asset prices have greatly encouraged domestic consumption in Netherlands. Spurred by the firming domestic demand and the stronger global economy, the Italian economy has returned to growth since recent years. The Group focused on increasing its penetration into retailers for toy car products of "Tonka" and self-owned brand outdoor products of "Gazillion ® Bubbles", which resulted in increased orders. However, the decrease in the orders from several major clients in Russia, Denmark, Ukraine, Turkey, the UK, Switzerland and Romania had offset the increase in orders from several major clients in Poland, Netherlands, Italy, Finland and Estonia. Nevertheless, the increase in sales of self-owned brand outdoor products of "Gazillion ® Bubbles" and toy car products of "Tonka" had offset the decline in sales of plush products in the UK and EU countries and the sales of the newly-acquired UK lighting company in Europe also contributed to our sales in the European markets. Overall, the Group recorded an increase in its revenue in the European markets. The Group will continue its efforts to maintain existing distributors and clients such as Argos, Tesco, Smyths and Costco.

Mexico

Our revenue in Mexico decreased by approximately HK$4,391,000 or 46.8% to approximately HK$4,996,000 this year from approximately HK$9,387,000 last year.

With its close links to the US, the Mexican economy is expected to see a slightly slower growth in view of a more protectionist trade policy stance adopted by the US administration, exemplified by the NAFTA renegotiation and tax reform. Overall, our total revenue in the Mexican market recorded a decrease due to the decrease of our ODM product orders.

Australia and New Zealand

Our revenue in the Australia and New Zealand markets increased by approximately HK$1,055,000 or 4.3% to approximately HK$25,836,000 this year from approximately HK$24,781,000 last year.

During the year under review, Australia experienced a slowdown in economy growth. However, the Australian economy is expected to grow, backed by a boost of public investment in infrastructure, tourism-related activities, and retail trade and accommodation as the main drivers for the services sector.

Our revenue in the Australian market increased due to the growth in sales of girls role-playing products, self-owned brand outdoor products of "Gazillion ® Bubbles" and contribution from girls role-playing series of "Positively Perfect". The increase in the total revenue in the Australian market had offset the decrease in the revenue in New Zealand and the decrease in sales of lighting products. Overall, our revenue in Australia and New Zealand recorded an increase. The Group will continue its efforts to maintain its existing distributors and clients such as Target and Big W.

South America

Our revenue in South America markets decreased by approximately HK$1,675,000 or 17.8% to approximately HK$7,712,000 this year from HK$9,387,000 last year.

Global commodity prices remained strong. Yet not every South American country has responded in the same way to the global economy. Each has chosen a development path dependent upon their natural resource endowments, but a majority has turned to diversification of industry and exports for growth. The Group recorded a decrease in our sales in Peru, Paraguay, Panama, Nicaragua, Mexico, Chile, Bolivia and Argentina, which offset the increase in our sales in Honduras, Guatemala, Colombia, El Salvador, Ecuador and Costa Rica. The decrease was mainly attributable to toy car products of "Tonka" and plush products, which remained the largest contributors of the regional sales. The Group recorded a decrease in orders for toy car products of "Tonka" and plush products in the ODM business as a whole. Overall, our revenue in South America recorded a decrease.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2017, the Group had a total of approximately 14,000 (2016: 15,000) employees in Hong Kong, Macau, the PRC, Vietnam, Australia, the US, Canada, Taiwan and Europe. The Group provides its employees with competitive remuneration packages commensurate to 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 businesses.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those 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, labour insurance, etc. All employees are entitled to statutory holidays. The Group has registered its products, domain name and trademarks in Hong Kong, Mainland China 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 has recognised that employees, customers and business partners are crucial to its sustainable growth. The Group is hence committed to building up close and caring relationship with our employees, provide exceptional service to our customers and enhance partnership with our business partners.

PROSPECT

Sales growth is expected to be continued on the back of the expanding OEM business. With a view to capturing the growing opportunities, the Group will continue to bring out innovative products, increase market share and expand geographically to generate better value. The Group strives to launch more ODM toy products and new platform products to ensure growth. It has launched several toy products under licensed brands, including a preschool line of "Tonka" toy cars and enriched its girls role-playing series of "Luna Petunia" and "Positively Perfect", and actively promoted its new products to new retailers. Meanwhile, the Group has successfully renewed and entered into agreements with renowned toy car license holders to launch new products with innovative technology of "Motion Drive" and develop toy products like "DC Superfriends", "Space Racers", "Herodrive" and "Sunny Bunnie" for leading license holders. The Group has established new distribution centres in Canada, the UK, France, Spain and Australia to promote its existing self-owned brand outdoor products of "Gazillion® Bubbles" and toy car products of "Tonka" on the international market, to fully leverage its strategic advantage of vertical integration of global marketing, design and manufacture capabilities.

In order to enhance production efficiency and simplify departmental collaboration, the Group will also invest in production automation facilities so as to improve its overall competitiveness. In addition, the Group will review its existing investments in the R&D division and formulate collaboration plan to fully utilise the available plant and facilities. Currently, the top priority of the Group is to expand production capacity in a timely manner to meet the strong market demand.

The Group has been actively identifying and exploring different investments and good merger and acquisition opportunities in order to acquire new business or asset that will bring additional value, synergy effect and new income streams to the Group, with a view to broadening our asset and income bases. In view of the vast potential in the lighting sector, the Group will continue to explore different investment opportunities in the lighting industry. In January 2018, an indirectly wholly-owned subsidiary of the Company entered into a loan agreement with the lenders in respect of a loan amounting to RMB225,000,000. The loan provides an opportunity for the Group to leverage on the right to purchase in securing financing for the Group with ease and to conduct future business development.

Looking ahead, the Group's ultimate goal is to continue maintaining profitability and achieving cost efficiency. As such, we will closely monitor the Company's development strategy so as to maximise the return for our shareholders.

DIVIDEND

During the year, the Company paid an interim dividend of HK4.5 cents (2016: HK4.5 cents) in cash per share to the shareholders. The Directors have resolved to recommend the payment of a final dividend of HK5 cents (2016: HK7 cents) in cash per share for the year ended 31st December, 2017, payable to shareholders whose names appear on the Register of Members of the Company on 3rd May, 2018. Together with the interim dividend paid of HK4.5 cents per share, the total dividend per share for the year is HK9.5 cents (2016: HK11.5 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 11th May, 2018 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")

The Board has adopted a new 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 period under review, in compliance with the HKEx Code and CG Code except for the deviations from code provisions A.4.1 and E.1.2 which are explained as follows:

i) under the code provision A.4.1 that none of the existing non-executive directors of the Company is appointed for a specific term. However, as all the non-executive directors of the Company (including independent non-executive) are subject to retirement provision under the Company's Bye-laws, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the HKEx Code and CG Code as well;

ii) under the code provision E.1.2, Mr. Cheng Yung Pun, the chairman of the Board and the Nomination Committee was unable to attend the 2017 annual general meeting ("2017 AGM") due to conflicting business schedules. The Chairman of the Audit and Remuneration Committees and their two members and two executive directors had attended the 2017 AGM and one of them had been nominated as chairman of the 2017 AGM. The Company considers that the presence is sufficient for (i) answering questions from and (ii) effective communication with the shareholders of the Company present at the 2017 AGM.

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 annual general meeting ("AGM") of the Company will be held at Peony Room, Crowne Plaza Hotel & Suites Landmark Shenzhen, No. 3018, Nanhu Road, Shenzhen on 26th April, 2018 at 2:30 p.m.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19th April, 2018 to 26th April, 2018, both days inclusive for the entitlement to attend the AGM, and be closed on 3rd May, 2018 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 18th April, 2018. 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 2nd May, 2018.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31st December, 2017, 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 2017 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. Leung Hong Tai (his resignation effective on 1st April, 2018), Mr. Tsang Chung Wa, Mr. Tse Kam Wah and Mr. Yu Sui Chuen as executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei as independent non-executive Directors.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 8th March, 2018