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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)

2021 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 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	1,082,637	901,141
Cost of sales		(640,660)	(549,982)
Gross profit		441,977	351,159
Other income	6	14,456	10,897
Other gains and losses	7	(4,135)	(1,140)
Impairment losses on intangible assets		(7,000)	–
Distribution and selling costs		(174,590)	(157,597)
Administrative expenses		(154,169)	(126,507)
Research and development costs		(21,529)	(23,061)
Other expenses		(19,441)	(39,461)
Profit from operations		75,569	14,290
Finance costs	8	(4,653)	(5,358)
Profit before tax	10	70,916	8,932
Income tax expense	9	(16,279)	(941)
Profit for the year		54,637	7,991

	2021 <i>HK\$'000</i>	2020 <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>2,263</u>	<u>(142)</u>
Total comprehensive income for the year	<u>56,900</u>	<u>7,849</u>
Profit for the year attributable to:		
Owners of the Company	55,092	10,588
Non-controlling interests	<u>(455)</u>	<u>(2,597)</u>
	<u>54,637</u>	<u>7,991</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	57,355	10,446
Non-controlling interests	<u>(455)</u>	<u>(2,597)</u>
	<u>56,900</u>	<u>7,849</u>
Earnings per share attributable to owners of the Company:		
Basic earnings per share (expressed in HK cents per share)	<u>7</u>	<u>1</u>
Diluted earnings per share (expressed in HK cents per share)	<u>7</u>	<u>1</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		176,148	190,026
Right-of-use assets		258,463	270,009
Intangible assets		104,685	113,053
Deposits	<i>13</i>	126,116	25,065
Deferred tax assets		26,087	24,780
		691,499	622,933
Current assets			
Inventories		328,671	303,919
Trade receivables	<i>13</i>	185,482	233,000
Prepayments, deposits and other receivables	<i>13</i>	43,899	57,140
Current tax assets		2,515	2,651
Bank and cash balances		164,076	154,699
		724,643	751,409
Current liabilities			
Trade payables	<i>14</i>	71,961	57,175
Accruals and other payables	<i>14</i>	96,497	90,248
Contract liabilities		6,708	9,622
Amount due to a director		8,302	–
Bank borrowings		7,911	12,627
Lease liabilities		17,074	19,215
Current tax liabilities		18,971	5,244
		227,424	194,131
Net current assets		497,219	557,278
Total assets less current liabilities		1,188,718	1,180,211

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		60,491	63,607
Deferred tax liabilities		1,059	964
		<u>61,550</u>	<u>64,571</u>
 NET ASSETS		 <u>1,127,168</u>	 <u>1,115,640</u>
 Capital and reserves			
Share capital		75,620	75,620
Reserves		1,057,746	1,045,763
		<u>1,133,366</u>	<u>1,121,383</u>
Equity attributable to owners of the Company		1,133,366	1,121,383
Non-controlling interests		(6,198)	(5,743)
		<u>1,127,168</u>	<u>1,115,640</u>
 TOTAL EQUITY		 <u>1,127,168</u>	 <u>1,115,640</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, 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 Hong Kong 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39 and
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phrase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rate (“**IBOR reform**”).

The amendments do not have an impact on these financial statements as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(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 2021. 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 HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Types of products:		
– Manufacturing and trading of toys	1,043,113	859,211
– Manufacturing and trading of lighting products	<u>39,524</u>	<u>41,930</u>
	<u>1,082,637</u>	<u>901,141</u>
Timing of recognition:		
– At a point in time	<u>1,082,637</u>	<u>901,141</u>
	<u>1,082,637</u>	<u>901,141</u>

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 2021.

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 and 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 2021

	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	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)

(b) Segment revenue and results:

For the year ended 31 December 2020

	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	677,497	78,650	13,813	73,548	7,045	37,062	887,615	13,526	-	901,141
Results segment profit/(loss)	140,945	(84)	893	7,234	1,287	2,830	153,105	2,874	-	155,979
Unallocated other income										2,919
Unallocated corporate expenses										(144,608)
Finance costs										(5,358)
Profit before income tax										<u>8,932</u>
Other segment information										
Depreciation and amortisation	57,699	3,866	692	3,579	357	1,881	68,074	682	2,081	70,837
Impairment losses on trade receivables	1,575	183	33	171	16	86	2,064	29	-	2,093
Impairment losses on inventories	<u>2,389</u>	<u>277</u>	<u>49</u>	<u>259</u>	<u>25</u>	<u>131</u>	<u>3,130</u>	<u>47</u>	<u>-</u>	<u>3,177</u>

(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 2021

	Reportable segment						Total reportable segments	Other locations	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	
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									
Reconciliation:									
Unallocated liabilities									
– Bank borrowings									7,911
– Lease liabilities									77,565
– Deferred tax liabilities									1,059
– Other current liabilities									202,439
Total liabilities									<u>288,974</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 2020

	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	426,098	42,153	7,181	38,131	2,856	22,680	539,099	24,874	563,973
Reconciliation:									
Unallocated assets									
– Property, plant and equipment									190,026
– Right-of-use assets									270,009
– Intangible assets									113,053
– Deferred tax assets									24,780
– Other current assets									212,501
Total assets									<u>1,374,342</u>
LIABILITIES									
Segment liabilities	90,702	8,282	876	6,126	447	3,526	109,959	2,627	112,586
Reconciliation:									
Unallocated liabilities									
– Bank borrowings									12,627
– Lease liabilities									82,822
– Deferred tax liabilities									964
– Other current liabilities									49,703
Total liabilities									<u>258,702</u>

(e) **Geographical information:**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	5,005	8,914
Vietnam	448,967	356,311
The United States	42,481	55,703
The PRC	40,549	42,381
Europe	7,629	9,818
Other countries	16,096	11,973
	<u>560,727</u>	<u>485,100</u>

Note: The above non-current assets excluded intangible assets and deferred tax assets.

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

Revenue from two customers (2020: two customers) of the Group's the United States segment represents approximately HK\$639,706,000 (2020: HK\$507,899,000) of the Group's total revenue for the year ended 31 December 2021.

6. **OTHER INCOME**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grants (<i>note (i)</i>)	–	4,400
Interest income on bank deposits	2,543	2,900
Rental income	2,675	936
Sales of scrap materials and samples	2,215	19
Royalty income	292	633
Others (<i>note (ii)</i>)	6,731	2,009
	<u>14,456</u>	<u>10,897</u>

Note (i): During the year ended 31 December 2020, the Group recognised government grants in respect of Covid-19 related subsidies under Employment Support Scheme provided by the Hong Kong government and under Paycheck Protection Program provided by the government of the United States.

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

7. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain/(loss) on disposals of property, plant and equipment	213	(4,222)
Gain on disposal of right-of-use assets	–	6,900
Exchange loss, net	(2,701)	(1,725)
Impairment losses of trade receivables, net	(1,647)	(2,093)
	<u>(4,135)</u>	<u>(1,140)</u>

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on bank borrowings	182	489
Interest expense on lease liabilities	4,471	4,869
	<u>4,653</u>	<u>5,358</u>

9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Hong Kong		
Provision for the year	–	–
Over-provision in prior years	–	(22)
	–	(22)
– Other jurisdictions		
Provision for the year	17,501	3,868
Over-provision in prior years	(13)	(2,558)
	<u>17,488</u>	<u>1,310</u>
Deferred tax	<u>(1,209)</u>	<u>(347)</u>
	<u>16,279</u>	<u>941</u>

10. PROFIT FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	3,566	4,070
– Non audit services	969	924
Amortisation of intangible assets	1,750	10,074
Cost of inventories sold	638,910	539,908
Depreciation of property, plant and equipment	48,190	35,044
Depreciation of right-of-use assets	26,719	25,719
Impairment losses of trade receivables, net	1,647	2,093
(Reversal of impairment losses)/impairment losses of inventories	(2,082)	3,177
Legal and professional fees	19,441	39,461
Royalty expenses	52,743	26,943
Research and development costs recognised as expenses	21,529	23,061
	<u> </u>	<u> </u>

11. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends paid:		
– 2019 final (HK3 cents per share)	–	22,686
– 2020 interim (HK1.5 cents per share)	–	11,343
– 2020 final (HK4 cents per share)	30,248	–
– 2021 interim (HK2 cents per share)	15,124	–
	<u> </u>	<u> </u>
	<u>45,372</u>	<u>34,029</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 2021 of HK6 cents per share.

12. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Earnings attributable to owners of the Company and profit for the purpose of calculating earnings per share	55,092	10,588
Number of shares		
Weighted average number of ordinary shares of the purpose of basic earnings per share	756,203,000	756,203,000
Effect of dilutive potential ordinary shares arising from share options	–	752,000
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>756,203,000</u>	<u>756,955,000</u>

For the year ended 31 December 2020, the share options have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption of the conversion of all potential dilutive ordinary shares arising from the share options.

For the year ended 31 December 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	190,079	239,516
Less: allowance for doubtful debts	<u>(4,597)</u>	<u>(6,516)</u>
	<u>185,482</u>	<u>233,000</u>
Prepayments	20,056	33,590
Deposits	142,222	39,722
– for proposed acquisition of a target company (<i>note</i>)	122,171	20,291
– for raw materials and plant and machineries	13,626	13,281
– for rental and utilities	6,425	6,150
Other receivables	<u>7,737</u>	<u>8,893</u>
	355,497	315,205
Less: non-current portion	<u>(126,116)</u>	<u>(25,065)</u>
	<u>229,381</u>	<u>290,140</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 a party, NGUYEN HA Chi being the transferor, in respect of the proposed acquisition of a target company and pursuant to which 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\$122,171,000). 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.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 60 days	143,159	175,995
61 to 90 days	26,667	31,579
More than 90 days	<u>15,656</u>	<u>25,426</u>
	<u>185,482</u>	<u>233,000</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	6,516	9,386
Write-off	(3,566)	(4,963)
Net impairment losses recognised for the year	<u>1,647</u>	<u>2,093</u>
At 31 December	<u>4,597</u>	<u>6,516</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
USD	155,540	183,093
CAD	10,419	15,615
GBP	7,185	19,396
Others	<u>12,338</u>	<u>14,896</u>
	<u>185,482</u>	<u>233,000</u>

14. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	71,961	57,175
Accrued employee benefit expenses	46,093	43,571
Other payables and accruals	<u>50,404</u>	<u>46,677</u>
	<u>168,458</u>	<u>147,423</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 60 days	36,639	37,841
61 to 90 days	21,179	5,501
More than 90 days	<u>14,143</u>	<u>13,833</u>
	<u>71,961</u>	<u>57,175</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HKD	22,178	17,834
USD	19,106	12,362
RMB	8,443	8,419
VND	15,808	12,047
Others	6,426	6,513
	71,961	57,175

15. CAPITAL COMMITMENTS

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

	2021 <i>HK\$'000</i>	2020 <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	5,705	8,214

16. CONTINGENT LIABILITIES

The Group has held a number of licenses from Hasbro, Inc. and Hasbro International (together referred to as “**Hasbro Group**”) to produce and distribute various products. During the year of 2018, Hasbro group alleged that an audit of the Group's records established that the Group owed Hasbro Group, inclusive of purported unpaid royalties, marketing expenses, interest and audit fees.

Upon receipt of the audit findings of Hasbro Group and completion of own investigation, the Group determined that Hasbro Group, at best, was owed approximately US\$860,000, which was promptly paid. Hasbro Group disputed the Group's conclusion and issued a notice of termination of the remaining license agreement. The Group filed an action in the United States of America disputing Hasbro Group's interpretation of the license agreement, denying Hasbro Group's alleged right to terminate the license agreement, and alleged that Hasbro Group breached the license agreement by wrongfully attempting to terminate the license. Hasbro Group has filed a counterclaim, contending that the Group owes the amount alleged in the audit and the Group has violated Hasbro Group's intellectual property rights.

During the year ended 31 December 2021, the Group and Hasbro Group reached a memorandum of understanding, which stipulated that the Group pay US\$3,000,000 for full release of all claims, with the exception of the remaining open claims of approximately US\$5,240,000 (approximately US\$6,100,000 less US\$860,000 already paid by the Group). The open claims will be submitted to a neutral auditor, whose decision shall be final and binding. As the audit process is on-going, it is 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 claims. As such no further provision for the remaining claim is considered required to be made in the consolidated financial statements for the year ended 31 December 2021 in respect of these matters.

RESULTS

During the year of 2021 (the “**year**”), the Group’s consolidated revenue reported approximately HK\$1,082,637,000, increased by approximately HK\$181,496,000 or 20.1% as compared to approximately HK\$901,141,000 of 2020 (“**last year**”). The profit attributable to the owners of the Company amounted to approximately HK\$55,092,000, representing an increase of 420.3% as compared with the profit of approximately HK\$10,588,000 last year.

FINANCIAL REVIEW

Revenue

Revenue of the year recorded approximately HK\$1,082,637,000, increased by approximately 20.1% from last year as the Group strived to mitigate the negative impact caused by the outbreak of COVID-19.

Gross profit

The Group’s gross profit for the year increased by approximately 25.9% to approximately HK\$441,977,000 due to increase of sales.

Distribution and selling costs

Distribution and selling costs increased by approximately 10.8% to approximately HK\$174,590,000 for the year. The increase was mainly attributable to the increase in royalty expenses.

Administrative expenses

Administrative expenses of the year increased by approximately 21.9% to approximately HK\$154,169,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The increase resulted mainly from increase in depreciation of property, plant and equipment during the year.

Finance costs and income tax

Finance costs of the year decreased by approximately 13.2% to approximately HK\$4,653,000 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\$16,279,000 as compared to income tax expense of approximately HK\$941,000 of last year due to increase in provision of income tax expense.

Research and development cost

Research and development (R&D) cost decreased by approximately 6.6% to approximately HK\$21,529,000 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 20.4% to approximately HK\$185,482,000 as compared to last year, mainly due faster collection of trade receivables. Prepayment, deposit and other receivables increased by approximately 106.8% to approximately HK\$170,015,000, due to increase in deposits for proposed acquisition of a target company.

Trade payables, accruals and other payables

Trade payables of the year increased by approximately 25.9% to approximately HK\$71,961,000 as compared to last year, mainly due to the increase in purchase. Accruals and other payables increased by approximately 6.9% to approximately HK\$96,497,000, due to increase in accrued employee benefit expenses and other payables and accruals.

Quick Ratio

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

Current Ratio

The current ratio of the year was lower than last year which resulted mainly from the decrease in trade receivables 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 2021, the Group had bank and cash balances of approximately HK\$164,076,000 (2020: HK\$154,699,000). As at 31 December 2021, the Group obtained banking facilities in a total of approximately HK\$70,000,000 (2020: HK\$70,000,000) which was supported by corporate guarantee.

As at 31 December 2021, the Group had bank borrowings of approximately HK\$7,911,000 (2020: HK\$12,627,000).

The Group's gearing ratio, representing the total debt divided by total equity, decreased to 0.7% (2020: 1.1%) due to the decrease in bank borrowings during the year.

During the year, net cash generated from operating activities amounted to approximately HK\$207,747,000 (2020: HK\$120,241,000). 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\$32,699,000 (2020: HK\$53,599,000) 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 2021, the Group had total assets of approximately HK\$1,416,142,000 (2020: HK\$1,374,342,000), total liabilities of approximately HK\$288,974,000 (2020: HK\$258,702,000) and equity attributable to owners of the Company of approximately HK\$1,133,366,000 (2020: HK\$1,121,383,000). The net assets of the Group increased by approximately 1.0% to approximately HK\$1,127,168,000 as at 31 December 2021 (2020: HK\$1,115,640,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

There was no significant investment and acquisition for the year ended 31 December 2021.

SIGNIFICANT DISPOSAL/IMPORTANT EVENT

There was significant disposal/important corporate event for the year ended 31 December 2021 refer to Note 13.

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 Group picked up the momentum of in the first half of 2021 due to the gradual economic recovery in global markets. However, the outbreak of omicron variant and surge in coronavirus infection hindered the recovery in the second half of 2021. Many countries tightened social distancing measures again and business activities were affected. Overall, the turnover and gross profit of the Group for the year recorded an increase. The Group has continued to strengthen cost controls and optimized use of manpower, compared to last year, marketing, selling and distribution costs decreased while administrative expenses and recurring operating expenses increased. The Group prudently managed its financial and cash position to overcome the operating environment during this period and to minimize the negative impact brought about by the COVID-19 pandemic.

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

Due to continuing uncertainty and implementation of counter-COVID measures, business in many overseas markets did not recover to pre-pandemic levels during 2021. The rise in new infections led to more travel restrictions and lockdowns which inevitably affect consumption sentiment. Customers were cautious about placing orders. 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 increased by approximately HK\$136,597,000 or 20.2% to approximately HK\$814,094,000 for the year from approximately HK\$677,497,000 for the last year.

The US economy recorded a big rebound in 2021 with a strong GDP growth. Although the outbreak of Omicron and surge of confirmed case in late 2021 hindered the pace of recovery, the US government did not implement strict social distancing measures. Inflation has jumped, companies are struggling to find willing workers and consumer products have been in short supply.

Due to the robust growth for cross-border e-commerce sales, the sales from Original Equipment Manufacturing and mass-market retailers for Original Design Manufacturing (“ODM”) toy car products under new brands increased. However, the increase was partly offset by the decrease in sales of lighting products, and Original Brand Manufacturing (“OBM”) outdoor products of “Gazillion® Bubbles”. Overall, the revenue generated from the US market recorded an increase.

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 increased by approximately HK\$22,435,000 or 30.5% to approximately HK\$95,983,000 for the year from approximately HK\$73,548,000 last year.

The Canadian economy rebounded and the gross domestic production increased significantly in 2021. Social distancing measures were relaxed the most sectors were re-opened. Despite the surge of Omicron COVID-19 cases in the last quarter which may hinder the recovery in the start of 2022, consumer sentiment was improved during most time of the year under review. The sales from the Group's mass-market retailers in respect of toy car products, OBM outdoor game products of "Gazillion® Bubbles" and girls' toy series products increased. As a whole, the revenue generated from the Canadian market recorded an increase.

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 increased by approximately HK\$10,281,000 or 13.1% to approximately HK\$88,931,000 for the year from approximately HK\$78,650,000 last year.

The economy of most European countries has recovered and the governments have relaxed social distancing measures in less risky areas.

The growth in sales of toy car products, OBM outdoor products of "Gazillion® Bubbles" and boys' product "Fart Ninjas" offset the decrease in the sale of girl role play products. The Group recorded a decrease in orders from customers in Denmark, Estonia, Croatia, Switzerland, Greece and Luxembourg. However, the orders from customers in UK, Finland, Belgium, Lithuania, Italy, Russia, Poland, Ukraine, France, Slovenia, Germany, Malta, Spain, Ireland, Portugal and Czech Republic increased. Overall, our revenue in the European market recorded an increase. The Group will continue its efforts to maintain existing distributors and clients such as Costco.

Mexico

Our revenue in Mexico decreased by approximately HK\$1,021,000 or 7.4% to approximately HK\$12,792,000 for the year from approximately HK\$13,813,000 last year.

The pandemic continued to affect economic activities and consumer sentiment in the year. The uncertainty surrounding the economic outlook and job market tempered the pace of recovery. Due to decrease in orders for the Group's ODM toy car products, our total revenue in the Mexican market recorded a decrease.

Australia and New Zealand

Our revenue in the Australia and New Zealand markets increased by approximately HK\$4,505,000 or 12.2% to approximately HK\$41,567,000 for the year from approximately HK\$37,062,000 last year.

According to the statistics released by the Australian Bureau of Statistics, the GPD of the Australian economy increased by 3.4 per cent. Many workers have returned to the job market and unemployment rate decreased.

The Group recorded an increase in sales of girls' toy series product "Bright Fairy Friends". However, the sales of OBM outdoor products of "Gazillion® Bubbles" and ODM toy car products such as "Herodrive", "Tonka" and "Mighty Fleet" decreased. Our overall market revenue in Australia and New Zealand recorded an increase. 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\$5,020,000 or 71.3% to approximately HK\$12,065,000 for the year from HK\$7,045,000 last year.

Most South America countries have recovered from the negative impact of the pandemic. Overall, the Group recorded an increase in sales in Panama, Chile, Honduras, Guatemala, Paraguay, Bolivia, Nicaragua, and Peru; however sales orders in Argentina, Ecuador, Costa Rica and Uruguay for toy car products and outdoor game products in ODM business decreased. As a whole, our revenue in South American markets recorded an increase.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of approximately 5,600 (2020: 6,600) 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 building up close and caring relationship with its employees, provide exceptional service to its customers and enhance partnership with its business partners.

PROSPECT

Looking forward, it seems that the COVID containment measures will stay in force in the near term and the business environment will remain challenging for the Group. Nevertheless, it is expected that the overall economic and operating environment will recover gradually due to the increase in vaccination rates and reopening of the European and American markets. With the experience gained in the last two years, the Group moves into the new year with cautious optimism and prepares to respond to potential market disruptions swiftly. With the aim to strengthen our leading position in the global toys market, we will endeavor to retain our existing clients as well as further diversify our market and customer portfolio. At the same time, the Group will prudently manages its financial and cash position to support business growth and minimize the potential negative impacts on our financial position caused by the pandemic. From the perspective of manufacturing, we will continue to optimize the use of manpower with the aid of machine automation to improve profitability and therefore create long-term and highest returns for shareholders.

All in all, the Group will strive to bring additional value and new income streams to the Group and maximize the long-term returns to its shareholders.

FINAL DIVIDEND

During the year, the Company paid an interim dividend of HK2.0 cents (2020: HK1.5 cents) in cash per share to the shareholders. The Directors have resolved to recommend the payment of a final dividend of HK6.0 cents (2020: HK4.0 cents) in cash per share for the year ended 31 December 2021, payable to shareholders whose names appear on the Register of Members of the Company on 25 May 2022. Together with the interim dividend paid of HK2.0 cents per share, the total dividend per share for the year is HK8.0 cents (2020: HK5.5 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 6 June 2022 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 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:

- a) 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; and
- b) 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 2021 annual general meeting (“**AGM**”) due to the impact of COVID-19 pandemic. Except the chairman of the Board, the two executive directors and one independent non-executive director, all other members of the Board had attended the 2021 AGM and one of them had been nominated as chairman of the 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 2021 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 AGM of the Company will be held on 19 May 2022 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 16 May 2022 to 19 May 2022, both days inclusive for the entitlement to attend the AGM, and be closed on 25 May 2022 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 13 May 2022. 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 24 May 2022.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2021, 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 2021 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 2022

* *For identification purpose only*