MATRIX

Matrix Holdings Limited

美力時集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 1005

2024 Annual Report

MATRIX

Funrise

VIRIBRIGHT

FernHoward

Our Mission

- Be **environmentally responsible** in all its manufacturing processes through **recycling** and **adherence** to international environmental protection laws

- **Enhance customer satisfaction** through delivery of high quality products that meet **world safety standard**

- Optimise shareholders' **business growth, diversification** and **productivity enhancement**

- Be a **socially responsible employer** by providing **safe and pleasant** working environment to workers

Content

Corporate Profile

Danang City, Vietnam First Plant

Danang City, Vietnam Second Plant

MATRIX is a well-established manufacturer of plastic, die-cast and plush toys, with vertically integrated production process including mould making, manufacturing and design and a manufacturer of lighting products. Currently, the Group operates four plants in Vietnam. As at 31 December 2024, the Group employed approximately 2,200 staff in Hong Kong, the PRC, Vietnam, Australia, the United States of America, Canada, Mexico and Europe. The well-established toy companies in designing, manufacturing and selling plastic toys – The Shelcore and the Funrise Group, and two overseas lighting companies were merged into the Group in 2005, 2007 and 2017 respectively.

Danang City, Vietnam Third Plant

Vinh City, Vietnam Fourth Plant

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun *(Chairman)*
Cheng King Cheung
Yip Hiu Har
Shirley Marie Price *(appointed on 12 March 2024)*

Independent Non-executive Directors

Mak Shiu Chung, Godfrey
Heng Victor Ja Wei
Chui Ka Hing

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Heng Victor Ja Wei *(Chairman)*
Mak Shiu Chung, Godfrey
Chui Ka Hing

NOMINATION COMMITTEE

Cheng Yung Pun *(Chairman)*
Mak Shiu Chung, Godfrey
Heng Victor Ja Wei
Chui Ka Hing

COMPANY SECRETARY

Lai Mei Fong

AUDITOR

Crowe (HK) CPA Limited
Registered Public Interest Entity Auditors
9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

SHARE REGISTRAR

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street,
PO Box HM 1179, Hamilton
HM EX Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL PLACE OF BUSINESS

Unit 01, 10/F., Railway Plaza,
39 Chatham Road South,
Tsim Sha Tsui,
Kowloon, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

WEBSITE

www.irasia.com/listco/hk/matrix/index.htm

STOCK CODE

1005 (Main Board of The Stock Exchange of Hong Kong Limited)

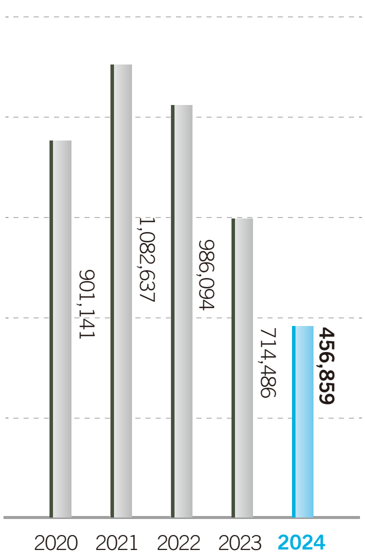
Financial Highlights

Financial Highlights and Key Ratios as of the Year Ended 31 December:

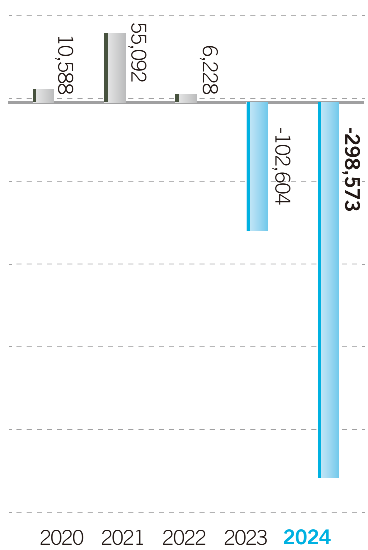
CONSOLIDATED

(HK$'000, expect where otherwise stated)	**2024**	2023	% Change
Revenue	**456,859**	714,486	-36.1%
Gross profit	**152,366**	308,680	-50.6%
Loss for the year attributable to owners of the Company	**(298,573)**	(102,604)	191.0%
Loss per share – Basic	**HK(39.5) cents**	HK(13.6) cents	190.4%
Dividend per share			
Interim, paid	**HK1.5 cents**	HK5.0 cents	-70%
Final, proposed	**HK1 cent**	–	N/A
Gross Profit Margin (%)	**33.4**	43.2	-22.7%
Net (loss) Margin (%)	**(65.4)**	(14.4)	354.2%
Gearing Ratio (%)	**16.3**	5.8	181.0%
Current Ratio	**3.4**	3.5	-2.9%
Quick Ratio	**1.2**	2.2	-45.5%

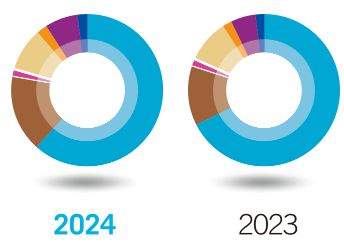
REVENUE



(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

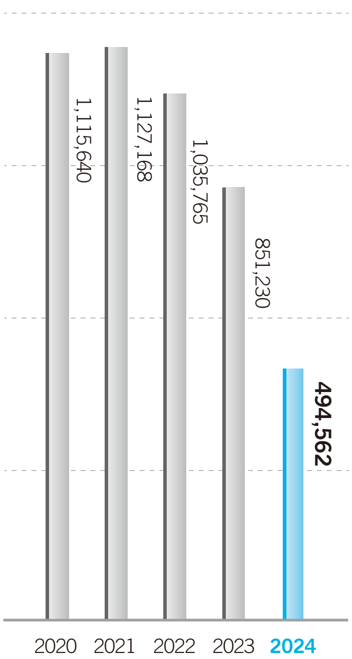


REVENUE BREAKDOWN BY MARKET

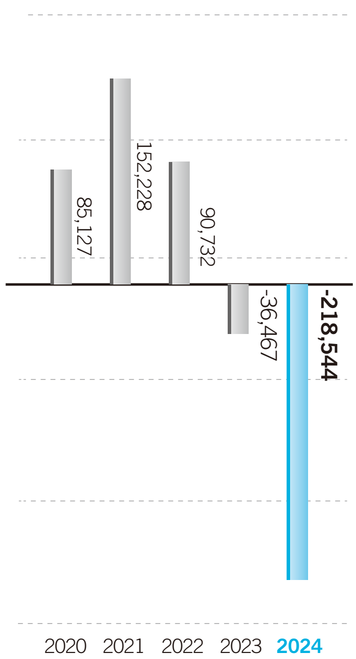


	2024	2023
United States	61.8%	67.7%
Europe	16.1%	12.4%
Mexico	1.7%	1.6%
Canada	9.2%	9.3%
South America	2.3%	1.9%
Australia	6.4%	5.0%
Others	2.5%	2.1%

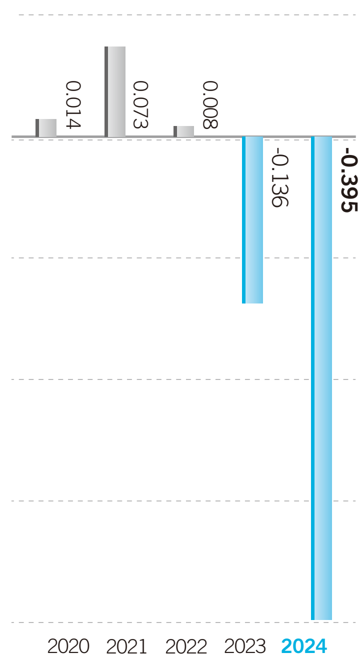
NET ASSETS



(LBITDA)/EBITDA



BASIC (LOSS)/EARNINGS PER SHARE



DEFINITIONS

Gross Profit Margin (%)	=	Gross Profit / Revenue	x 100%
Net Loss Margin (%)	=	Loss for the year attributable to owners of the Company / Revenue	x 100%
Gearing Ratio (%)	=	Debt (bank borrowings, amount due to a director and lease liabilities) / Total Equity	x 100%
Current Ratio	=	Current Assets / Current Liabilities	
Quick Ratio	=	Current Assets excluding Inventories / Current Liabilities	

Chairman's Statement

To Our Shareholders,

I am pleased to present to our shareholders the annual report of Matrix Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2024.

In 2024, the Group's consolidated revenue decreased by approximately HK$257,627,000 or 36.1%, amounting to approximately HK$456,859,000 compared to HK$714,486,000 in the previous year. The loss attributable to the owners of the Company was approximately HK$298,573,000, reflecting an increase of 191.0% from last year's loss of approximately HK$102,604,000.

In 2024, facing global economic uncertainty and escalating geopolitical tensions, investments and economic growth were significantly impacted. The United States experienced a volatile economic and political environment, leading to notable changes in consumer attitudes and behaviors. The U.S. market was further affected by slowing real wage growth, the depletion of excess savings, and increasing credit card debt, all of which collectively eroded consumer confidence and led consumers to adopt more cautious consumption habits and therefore weakened consumer spending. Despite some easing of inflation, consumer debt continued to influence spending habits, causing consumers to be more selective in discretionary spending. Additionally, intense competition among manufacturers may limit market share and growth. To maintain our market position, the Group will focus on continuously improving operational efficiency and optimizing its organizational structure, emphasizing innovative products, marketing strategies, and internal efficiency improvements, while continuing to employ a consumer-centric strategy. By strengthening our core strengths and adapting to the rapidly evolving market, we are focused on achieving growth despite current challenges.

Furthermore, I would like to highlight the importance of Environmental, Social, and Governance (ESG) considerations for the Group's long-term sustainability. The Board of Directors and management have fully incorporated ESG principles into the Group's mission and daily activities. For a comprehensive overview of our performance in these areas, please refer to the ESG Report, which can be found on pages 31 to 45.

Finally, I would like to extend my heartfelt gratitude to all our stakeholders including shareholders, customers, business partners, and suppliers for their unwavering support and trust in the Group's activities. I also wish to thank the management team and all staff members for their invaluable contributions and commitment to our success.

Cheng Yung Pun
Chairman
Hong Kong, 26 March 2025

RESULTS

During the year of 2024 (the "year"), the Group's consolidated revenue reported approximately HK$456,859,000, decreased by approximately HK$257,627,000 or 36.1% as compared to approximately HK$714,486,000 of 2023 ("last year"). The loss attributable to the owners of the Company amounted to approximately HK$298,573,000, representing an increase of 191.0% as compared with the loss of approximately HK$102,604,000 last year. The increase in the loss was mainly driven by a decrease in revenue, which was mainly due to global economic uncertainty and escalating geopolitical tensions, which had a notable impact on consumer attitudes and behaviors, leading to reduced consumer spending. In addition, impairment loss was made on property, plant and equipment, intangible assets and right-of-use assets.

FINAL DIVIDEND

During the year, the Company paid an interim dividend of HK1.5 cents (2023: HK2.0 cents) in cash per share to the shareholders. The Board resolved on 3 May 2024 to declare and pay a second interim dividend of HK3.0 cents per share in respect of the year ended 31 December 2023. The Directors have resolved to recommend the payment of a final dividend of HK1 cent in cash per Share for the year ended 31 December 2024 (2023: N/A), payable to Shareholders whose names appear on the Register of Members of the Company on 23 May 2025. Together with the interim dividend paid of HK1.5 cents per share, the total dividend per share for the year is HK2.5 cents (2023: HK5.0 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 6 June 2025 in cash.

FINANCIAL REVIEW

Revenue

Revenue for the year recorded approximately HK$456,859,000, decreased by approximately 36.1% from last year as the slowdown in investments and economic growth, driven by global economic uncertainty and rising geopolitical tensions, has had a detrimental effect on consumer spending.

Gross profit

The Group's gross profit for the year decreased by approximately 50.6% to approximately HK$152,366,000 due to decrease of sales.

Distribution and selling costs

Distribution and selling costs decreased by approximately 6.7% to approximately HK$181,074,000 for the year. The decrease was mainly attributable to the decrease in royalty expenses.

Administrative expenses

Administrative expenses for the year increased by approximately 2.5% to approximately HK$160,096,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses.

Finance costs and income tax

Finance costs for the year increased by approximately 17.7% to approximately HK$4,473,000 as compared to last year due to the increase in the interest of lease liabilities. Income tax expense for the year recorded approximately HK$22,781,000 as compared to income tax expense of approximately HK$4,312,000 of last year due to the increase in deferred tax expense.

Trade and bills receivables, prepayments, deposits and other receivables

Trade and bills receivables of the year decreased by approximately 31.7% to approximately HK$77,591,000 as compared to last year, mainly attributed from the decline in sales. Prepayment, deposit and other receivables decreased by approximately 12.1% to approximately HK$128,869,000, due to the decrease in other deposits paid.

Trade payables, accruals and other payables

Trade payables of the year decreased by approximately 10.9% to approximately HK$27,007,000 as compared to last year, mainly due to less purchase. Accruals and other payables increased by approximately 8.9% to approximately HK$77,421,000, due to the increase in 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 and bills receivables and bank and cash balances.

Current Ratio

The current ratio of the year was similar to last year.

Financial position and cash flows review

The Group's cash flow position decreased significantly while the bank borrowings were maintained at a minimum level.

Liquidity and Financial Resources

As at 31 December 2024, the Group had bank, cash balances and fixed bank deposits of approximately HK$57,733,000 (2023: HK$181,202,000). As at 31 December 2024, the Group obtained banking facilities in a total of approximately HK$70,000,000 (2023: HK$70,000,000) which was supported by corporate guarantee.

As at 31 December 2024, the Group had bank borrowings of approximately HK$5,242,000 (2023: HK$4,234,000).

The Group's gearing ratio, representing the debt (bank borrowings, amount due to a director and lease liabilities) divided by total equity, increased to 16.3% (2023: 5.8%) due to the decrease in the equity balance.

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$25,024,000 (2023: HK$18,046,000) mainly to maintaining the facilities. These capital expenditures were financed primarily by cash flow generated from operations.

Assets and Liabilities

As at 31 December 2024, the Group had total assets of approximately HK$694,161,000 (2023: HK$1,031,356,000), total liabilities of approximately HK$199,599,000 (2023: HK$180,126,000) and equity attributable to owners of the Company of approximately HK$507,013,000 (2023: HK$863,734,000). The net assets of the Group decreased by approximately 41.9% to approximately HK$494,562,000 as at 31 December 2024 (2023: HK$851,230,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

There was no significant investment and acquisition for the year ended 31 December 2024.

SIGNIFICANT DISPOSAL/IMPORTANT EVENT

There was no significant disposal/important corporate event for the year ended 31 December 2024.

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, 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

Manufacturing Operation

The global and U.S. economies experienced volatility in 2024, leading to substantial changes in consumer attitudes and behaviors. The U.S. market faced additional challenges, including slowing real wage growth, depleted excess savings, persistent inflation, and rising credit card debt. These factors collectively reduced consumer spending, eroded confidence, and prompted more cautious spending habits, ultimately impacting sales. The unstable global economy resulted in high customer inventory levels, contributing to reduced sales. As a result, customers adopted more cautious inventory management and order placement strategies in 2024. This led to a decline in sales of products under Original Brand Manufacturing ("OBM") brands like 'Bright Fairy Friends', 'Crushie Fluffies', and 'Gazillion', as well as the Original Design Manufacturing ("ODM") brand 'TEENAGE MUTANT NINJA TURTLES', 'Rocket League' and a girl toys' series products and lighting products. This decline offset the increased sales in the ODM brand 'CAT' and OBM brand 'FART NINJAS'.

In response to these challenges, the Group focused on retaining customer loyalty in North America and Europe by enhancing product offerings and improving inventory management. The Group remains committed to its established brand strategies and has launched new marketing campaigns for brands such as 'CAT', 'FART NINJAS', 'Furlings', and 'Bright Fairy Friends'. To address these challenges and expand offerings, the Group introduced new licensed ODM product 'SpongeBob SquarePants' and OBM products including, 'Burp Zombies', 'Furlings', and 'Might Fleet'. Simultaneously, the Group is implementing cost control measures and automation. Despite the challenging operational environment, the Group maintains a financially prudent approach.

The Group's main manufacturing facility is situated in Vietnam. Leveraging its strong industry position and expansion strategy within the country, the Group has restructured its plant operations and improved supply chain efficiency, resulting in lower production costs. To enhance its competitiveness, the Group has increased both production capacity and quality through localized production and management practices, alongside advancements in automation within its manufacturing processes.

Property Development

The Company has strategically expanded its presence in Vietnam by acquiring lands in Danang City through its subsidiary. This strategic move aligns with the Group's strategy to diversify its focus towards Vietnam's growing property market. Leveraging its established presence and management expertise in the region, the Company aims to capitalize on the opportunities in property development, thereby broadening its asset and income bases.

After taking into consideration of various conditions in Vietnam, the strategic focus on the property development and the readiness of resources, the Group considered to go for the property development in 2024.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had a total of approximately 2,200 (2023: 2,310) employees in Hong Kong, Macau, the PRC, Vietnam, Australia, the US, Canada, Mexico and Europe. The Group provides its employees with competitive remuneration packages commensurate with the level of pay established by the market trend in comparable businesses. A share option scheme was adopted by the Group for selected participants (including full-time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

ENVIRONMENTAL PROTECTION

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

PROSPECT

Manufacturing Operation

The U.S. toy industry is expected to experience flat growth in 2025 due to a combination of economic, demographic, and consumer behavior factors. Despite these challenges, there are opportunities for growth driven by trends such as licensed products. Tariffs on imported goods are likely to increase retail price for consumers and along with inflation which reduces consumer purchasing power. Many manufacturers have diversified their supply chains to mitigate these impacts, but higher costs could still affect margins. slowing consumer spending, economic uncertainty and rising consumer debt lead to reduced discretionary spending on toys. This cautious spending behavior is expected to continue in 2025. Despite these challenges, the toy industry remains resilient. Licensed products tied to popular franchises continue to drive sales.

While the U.S. toy industry faces several challenges in 2025, there are opportunities for growth through innovation, licensed products, and the expanding adult consumer market. Companies that adapt to these trends and challenges are likely to thrive in a competitive landscape. In response to the current global economic and geopolitical uncertainties, the Group will implement a flexible strategy to expand its product offerings and strengthen its customer base. We will also manage our financial resources and cash reserves prudently to enhance our resilience against challenging business conditions.

From a manufacturing perspective, we will continue to invest in automation to improve efficiency and create long-term value for our shareholders.

Property Development

The sustained growth in Southeast Asia, for instance, reinforces our confidence in investing in this region. Specifically, the Group determined to seize this opportunity by investing in real estate in Vietnam.

EXPLANATION OF THE QUALIFIED OPINION

The audit modifications made by the predecessor auditor in 2023 were arising from the Agreement and Undertaking. However, the Board was of the view that the Agreement constitutes financial assistance from a connected person to the Group with favorable commercial terms and is a fully exempted connected transaction under Listing Rule 14A.90. Company B executed the Undertaking to provide assurance to Subsidiary Y that income generated by Company B's horses that are managed by Subsidiary Y would belong to Subsidiary Y. This was to guarantee that Subsidiary Y would receive the financial benefits from the horses it managed. The details of which, please refer to the section "Explanation of the Qualified Opinion" in the Company's 2023 Annual Report.

The concern raised by Agreement and the Undertaking, which led to Audit Modifications is no longer applicable and do not impact the financial figures for the year ended 31 December 2024.

As of September 2024, due to the delay in land acquisition as well as the downturn in the Company's core manufacturing business, the Company has scaled down the capital investment in the relevant development project by disposing its horses and suspended horse racing operations, which also helped alleviate the concerns. The details of which, please refer to the Company's announcement dated 25 September 2024.

The Audit Modifications related to last year's concerns were resolved in the year ended 31 December 2024 with the exception of the possible effects of the matter that gave rise to the Audit Modifications on the comparability of the figures in 2024 and the corresponding figures.

EXECUTIVE DIRECTORS

Mr. Cheng Yung Pun

Aged 73, was appointed Chairman of the Company in September 2000 and also the Chairman of the nomination committee of the Company. Mr. Cheng is responsible for the overall corporate policies and development strategies and monitoring the overall management of the Group. Mr. Cheng has in-depth knowledge and extensive experience in business operations in Greater China. Mr. Cheng has more than 44 years' extensive experience in plastic toys manufacturing, property development and investment. Mr. Cheng is also a director of Smart Forest Limited (Mr. Cheng's wholly owned company) which owns share interest in the Company. He is the father of Mr. Cheng King Cheung, Executive Director of the Company.

Mr. Cheng King Cheung

Aged 33, was appointed Executive Director of the Company in October 2013. Mr. Cheng holds a bachelor's degree in Government from Franklin and Marshall College in Pennsylvania, USA. Mr. Cheng joined Funrise Group since 2010. He has about 15 years' experience in sales and marketing of toys. He is currently a Chief Executive of Funrise Group. He is a son of Mr. Cheng Yung Pun, the Chairman of the Company.

Ms. Yip Hiu Har

Aged 45, was appointed Executive Director of the Company in April 2018 and appointed as Chief Executive Officer on 15 April 2021. She holds a Bachelor of Arts degree in Language with Business from The Hong Kong Polytechnic University and a Bachelor's Degree in Law from University of London. Furthermore, she holds a Master of Corporate Governance from The Hong Kong Polytechnic University, further enhancing her expertise in leading and governing the Group with over 17 years' experience in toy industry, Ms. Yip effectively overseas the procurement, marketing and shipping operation of the Group.

Ms. Shirley Marie Price

Aged 58, was appointed as Executive Director on 12 March 2024. She currently serves as the President and Chief Operating Officer of the US subsidiary of the Group, Funrise Inc. ("Funrise") with extensive experience and influential network in the toy industry over 36 years. She started her toy industry career with Funrise in 1987, the same year Funrise was founded, and subsequently held several senior management positions in Funrise over the years. In addition to managing the operations for Funrise that goes through the entire creative process of designing and manufacturing toys, Ms. Price leads all strategic planning and business development initiatives, including licensing partnerships with major studios and brand owners.

Ms. Price has been very involved in charitable causes. For 10 years, she helped organise Funrise's "Toy Run For Kids," an annual toy drive that brought the largest single donation of toys to Children's Hospital of Los Angeles. She was the founding co-chair of the Toy Industry Foundation's Toy Bank Committee when it was created in 2004. Ms. Price has been an active member of the Toy Industry Association and was elected to the Board of Directors in February 2010 and a member of the Executive Committee in May 2012. She served on the Executive Committee from 2012 to 2016. She is also a member of Women In Toys and received the Wonder Woman In Toys Award for Manufacturing in 2011.

Ms. Price Obtained legal advice in 11 March 2024 in accordance with the requirements set out in Rule 3.09D and confirmed that she understood her obligations as a director of a listed issuer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak Shiu Chung, Godfrey

Aged 62, was appointed Independent Non-executive Director in May 2000 and is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Mak holds a Bachelor of Science degree in business studies from Bradford University School of Management, United Kingdom and a Master of Business Administration degree from the University of Wales, United Kingdom. He is a Member of the Hong Kong Securities Institute; a Member of The Chartered Institute of Marketing and an Associate of The Chartered Governance Institute (formally "The Institute of Chartered Secretaries and Administrators"). Mr. Mak has over 34 years of experiences in the field of corporate finance.

Mr. Heng Victor Ja Wei

Aged 47, was appointed Independent Non-executive Director in December 2012. He was appointed as the Chairman of the audit committee and the remuneration committee on 17 March 2025. He also serves as a member of the nomination committee of the Company. He is a partner of Morison Heng, Certified Public Accountants. Mr. Heng holds a Master of Science degree of the Imperial College of Science, Technology and Medicine, the University of London. He is a member of The Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants. He is a nephew-in-law of Dr. Loke Yu alias Loke Hoi Lam, the former Independent Non-Executive Director of the Company, who resigned on 17 March 2025.

Mr. Heng serves as an Independent Non-Executive Director of Lee & Man Chemical Company Limited (Stock Code: 0746), Veson Holdings Limited (Stock Code: 1399) and TradeGo FinTech Limited (Stock Code: 8017) and as the Company Secretary of China Life Insurance Company Limited (Stock Code: 2628), all being companies whose shares are listed on the Stock Exchange. He also serves as an Independent Non-Executive Director of Bacui Technologies International Ltd (stock code: YYB), a company listed on the Singapore Stock Exchange.

Mr. Heng resigned an independent non-executive director of Best Food Holding Company Limited (Stock Code: 1488) on 13 December 2024 whose shares are listed on the Stock Exchange and CIMC-TianDa Holdings Company Limited (Stock Code: 0445) on 1 February 2021, whose shares were delisted from the Stock Exchange.

Mr. Chui Ka Hing

Aged 60, was appointed as an Independent Non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee with effect from 1 April 2023. He is the Finance Director of Digital Climate Group Limited, a start-up integrated financial services company focusing on impact financing and green investment. Mr. Chui holds a Bachelor's degree in Accounting from Queen's University of Belfast and Master's Degree in Business Administration (Executive) from the City University of Hong Kong. Mr. Chui is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the Institute of Chartered Accountants in England and Wales. Mr. Chui has more than 32 years of experience in banking, asset management, securities companies and financial holding companies. Mr. Chui also serves as an Independent Non-executive Director of Sino Tactful Co., Ltd. (Stock Code: 5481) which is listed on Taipei Exchange.

The board of directors (the "Board") of Matrix Holdings Limited (the "Company") has adopted the Company's corporate governance code (the "CG Code") to reflect the requirements of Appendix C1 (the "HKEx Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Continuous efforts are made to review, apply and enhance the Group's procedures in light of changes in regulations and developments in best practices. Following sustained development of the Company, the Board and its executive management will continue to monitor the governance policies to ensure that such policies meet the general rules and standards. The Board is pleased to report compliance with the CG Code under the HKEx Code during the year ended 31 December 2024.

A. DIRECTORS

1. The Board

The Board assumes responsibility for directing the Company and enhancing its value for shareholders in accordance with good corporate governance principles and has established relevant board committees to assist in discharging this responsibility.

The principal functions of the Board are to make decision on the strategic development of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management of the Company and its subsidiaries for its day-today management and operation of the Group's businesses, implementation of the budgets and strategic plans and development of the organisation of the Company for implementing the Board's decision; to oversee and evaluate the conduct of the Group's businesses; to identify principal risks and ensure the implementation of appropriate measures and control systems; to review and approve important matters such as financial results and investments etc.; and to review the Company's policies and practices on corporate governance.

As at 31 December 2024, at least one-third of the Company's board are Independent Non-executive Directors ("INED") of which the Board comprises four (4) executive directors, namely Mr. Cheng Yung Pun (Chairman), Mr. Cheng King Cheung, Ms. Yip Hiu Har and Ms. Shirley Marie Price and four (4) INEDs, namely Dr. Loke Yu alias Loke Hoi Lam (resigned as an independent non-executive Director and the Chairman of each of the Audit Committee and Remuneration Committee and a member of Nomination Committee), Mr. Mak Shiu Chung, Godfrey, Mr. Heng Victor Ja Wei and Mr. Chui Ka Hing, (collectively the "Directors"). The INEDs required under Rule 3.10(1) of the Listing Rules who represent one third of the Board and include three with appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

A. DIRECTORS (Continued)

1. The Board (Continued)

In accordance with the Bye-laws, the CG Code of the Company, every Director should be subject to retirement by rotation at least once every three years. All Directors appointed as an additional Director or to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment and that one-third of the Directors should be subject to retirement and re-election every year. Non-executive Directors (including independent non-executive) are not appointed for a specific term. they are subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the retirement provision under the Company's Bye-laws.

The Directors who are subject to retirement and re-election at the 2025 Annual General Meeting are set out on page 50 of this Annual Report. The independence of the INED has been assessed in accordance with the applicable Listing Rules as each of the INED has provided an annual written confirmation of independence pursuant to the Listing Rules 3.13.

The Company considers that the INEDs continue to be independent in compliance with those independence criteria under the said rule and are capable to effectively exercise independent judgment up to and as at the date of this report.

The Directors' biographical details are listed in the section of "Biographies of Directors and Senior Management" in this Annual Report. Save as Mr. Cheng King Cheung is a son of Mr. Cheng Yung Pun and Mr. Heng Victor Ja Wei is a nephew-in-law of Dr. Loke Yu alias Loke Hoi Lam (resigned as INED on 17 March 2025), there is no financial, business, family or other material/relevant relationship between the Directors. The INEDs are expressly identified in all the Company's publication such as circular, announcement or relevant corporate communications in which the names of Directors of the Company are disclosed. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations.

2. Chairman and Chief Executive Officer ("CEO")

The roles of the Chairman and the CEO of the Company are segregated and are not held by the same person and are governed by the Chairman Mandate and CEO Mandate (containing the minimum prescribed duties) and stated in the Company's own CG Code. The primary responsibility of the Chairman is to ensure smooth and effective functioning of the Board. His responsibilities are, inter alia, the leadership and effective running of the Board, ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner and ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner. The CEO is delegated with the authority and his principal responsibilities are, inter alia, running the Group's business, and implementation of the Group's strategy in achieving the overall commercial objectives. The CEO also help the Board to set the desired culture, act with integrity, lead by example, communicate between the Board and middle management. Currently, Mr. Cheng Yung Pun is the Chairman and Ms. Yip Hiu Har is the CEO of the Company.

A. DIRECTORS (Continued)

3. Board Meetings and Access of Information

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allow board meetings to be conducted by way of telephone or video conference. Members of the Board receive information before the meetings about developments in the Company's business.

During the year under review, the Board held eleven (32 board meetings (including some meetings held by video or telephone conference) in which Ms. Yip Hiu Har, Dr. Loke Yu alias Loke Hoi Lam (resigned as INED on 17 March 2025), Mr. Mak Shiu Chung, Godfrey and Mr. Heng Victor Ja Wei had attended all board meetings; Mr. Cheng Yung Pun and Mr. Chui Ka Hing had attended 31 board meeting; Ms. Shirley Marie Price had attended thirteen (13) board meetings; Mr. Cheng King Cheung had attended ten (10) board meetings. Ms. Shirley Marie Price appointed as an Executive Director with effect from 12 March 2024.

In the said board meetings, sufficient fourteen-day notices for regular board meetings and notice in reasonable days for non-regular board meetings were given to all Directors. Board papers are circulated prior to board meetings in a timely manner in which sufficient information was supplied by the management to the Board to enable it to make informed decisions, which are made in the best interests of the Company.

All Directors have access to the advice and services of the company secretary and upon reasonable request, independent professional advice in appropriate circumstances at the Company's expense, if any.

4. 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 C3 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.

A. DIRECTORS (Continued)

5. Directors' Continuous Training and Development Programme

Pursuant to the HKEx Code, all Directors should participate the continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company has introduced the development programme for Directors. Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of its conduct, and business activities and development. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

During the year ended 31 December 2024, all Directors of the Company namely, Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Ms. Yip Hiu Har, Ms. Shirley Marie Price, Dr. Loke Yu alias Loke Hoi Lam (resigned as INED on 17 March 2025), Mr. Mak Shiu Chung, Godfrey, Mr. Heng Victor Ja Wei and Mr. Chi Ka Hing, received regular updates on the Group's business, operations and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. They also attended regulatory update sessions on relevant topics. All Directors are requested to provide the Company with their respective training record pursuant to the CG Code.

B. DIRECTORS' REMUNERATION

1. Remuneration Committee ("RC")

The principal role and functions of RC include, inter alia, reviewing the Board on the remuneration policy and structure for the remuneration of Directors and senior management, the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment, as well as to make recommendation to the Board as described under Code E.1.2(c)(ii) of the HKEx Code. The RC consults the Chairman and/or CEO about their proposal relating to the remuneration of other executive Directors and has access to professional advice where necessary. No Directors and executives can determine his own remuneration. The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company. Detailed terms of reference of the RC are accessible on the website of the Company and the Hong Kong Exchanges and Clearing Limited ("HKEx").

B. DIRECTORS' REMUNERATION (Continued)

1. Remuneration Committee ("RC") (Continued)

Membership and attendance:

The RC comprises Mr. Heng Victor Ja Wei as chairman (appointed on 17 March 2025 following the resignation of Dr. Loke Yu alias Loke Hoi Lam as INED and chairman of RC), Mr. Mak Shiu Chung, Godfrey and Mr. Chui Ka Hing. For the year ended 31 December 2024, all members of RC had attended the meeting.

Work done during the year

- reviewed its remuneration policy for Directors and senior management; and
- reviewed the remuneration packages of executive Directors and senior management for the year 2024.

2. Level and Make-up of Remuneration

The Group's remuneration policy for executive Directors and senior management is linked to performance, service seniority and experience, which are reviewed from time to time to align with market/industry practices.

Details of the remuneration of the Directors for the year ended 31 December 2024 are provided in Note 15 to the Consolidated Financial Statements in this annual report.

C. DIRECTORS' NOMINATION

1. Nomination Committee ("NC")

The NC shall report back to the Board in writing on their decisions or recommendations within a reasonable time after such decisions or recommendations are made, unless there is legal or regulatory restriction on the Committee to do so. Its role and functions shall be the review of the structure, size and composition (including the skills, knowledge, experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy; identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships; assess the independence of INEDs; make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. Where vacancies on the Board exist or an additional Director is considered necessary, the chairman of the NC will identify suitable candidates and propose the appointment of such candidates to the Board for consideration and the NC will take into account the qualification, in particular any qualification as required in the Listing Rules, ability, working experience, leadership and professional ethics etc. of the candidates and approved if such appointment considered suitable. The NC also considers the existing human resources policy in recruitment of new senior staff, to certain circumstance, is applicable to nomination of a new Director. The overriding objective of the nomination policy is to ensure that the Company is able to nominate a right person to be director which is essential to the success of the Company. Detailed terms of reference of the NC are accessible on the website of the Company and the HKEx.

NC's principal role is to review the Board's size, structure and composition to ensure that the Board has and by reviewing the Board's size, structure and composition, the Board will also consider a balance of ages, talents expertise, skills, experience, independent, knowledge and gender appropriate according to the Company's Board Diversity Policy.

C. DIRECTORS' NOMINATION (Continued)

1. Nomination Committee ("NC") (Continued)

Membership and attendance:

The NC comprises Mr. Cheng Yung Pun as chairman, Dr. Loke Yu alias Loke Hoi Lam (resigned as INED and a member of NC on 17 March 2025), Mr. Mak Shiu Chung, Godfrey, Mr. Heng Victor Ja Wei and Mr. Chui Ka Hing. For the year ended 31 December 2024, all members of NC had attended the meeting.

Work done during the year

- identified suitable candidate and made recommendation to the board on the appointment of new director;

- reviewed the structure, size and composition of the Board, and is of the view that there is an appropriate and diverse mix of skills and experience;

- reviewed the independence of INEDs of the Company and confirmed that all INEDs are considered independent;

- reviewed the profile and performance of Directors who will stand for re-election at Annual General meeting and confirmed that all those Directors are suitable to stand for re-election;

- reviewed and assessed the composition of the Board; and

- reviewed the existing Nomination Policy on i) whether it can and how to identify potential directors and which the selection process should be transparent and fair. The Company is encouraged to select from a broad range of candidates who are outside the Board's circle of contacts, and in accordance with the Company diversity policy; and ii) whether it sets out the procedure for the selection, appointment and reappointment of directors containing the selection criteria. This should include, but not limited to, considering the potential contributions a candidate can bring to the board in terms of qualifications, skills, experience, independence and gender diversity or not.

2. Implementation of Board Diversity policy

The policy concerning diversity of the board includes a mechanism on how NC oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the NC will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board. In recommending candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. In overseeing the conduct of the annual review of the effectiveness of the Board, the NC will consider the balance of ages, talents, skills, experience, independence, knowledge and gender on the Board and the diversity representation of the Board.

C. DIRECTORS' NOMINATION (Continued)

2. Implementation of Board Diversity policy (Continued)

The NC will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommended them to the Board for adoption. It will also review annually the progress on achieving those objectives. Such as, the Nomination Committee is encouraged to (a) be more transparency on the considerations for diversity, including gender, during the nomination process of directors if the Company is without a single woman on its board; (b) articulate the benefits of diversity, including gender diversity, and the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent; (c) express the Nomination Committee or the Company's commitment to diversity at all levels, including gender, age, culture and educational background, or professional experience; (d) assess annually on each issuer's diversity profile including gender balance of the directors and senior management and their direct reports, and its progress in achieving its diversity objectives; (e) ensure that recruitment and selection practices at all levels (from the board downwards) are appropriately structured so that a diverse range of candidates are considered; and (f) state whether the Nomination Committee or the Company has identified and implemented programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees and that, in time, their skills will prepare them for senior management and board positions. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

During the year under review, the Board comprised six (6) male directors (one of INEDs resigned on 17 March 2025) and two (2) female director. The minimum requirement set forth in Rule 13.92 is considered to be satisfied. Moreover, the Company has appointed an additional female executive director on 12 March 2024, increasing the proportion of women on the Board to 25%. Regarding the target and timeline of achieving further diversity at Board level, the Company will endeavor to maintain at least one (1) female director in the coming four (4) years. the Nomination Committee will continue to look for suitable female candidates to achieve further diversity.

Measures to develop a pipeline of potential successors to achieve gender diversity:

Board level:

- The Board will identify potential successors internally from Senior Management as well as middle management, having regard to the industry expertise, leadership skills, decision making capabilities, communication skills and professional qualification of the staff.

- The Board will also consider outside sources such as head hunter, referral, and The Hong Kong Institute of Directors.

C. DIRECTORS' NOMINATION (Continued)

2. Implementation of Board Diversity policy (Continued)

Senior Management level:

- The Board will identify potential successors internally from middle management such as department heads, having regard to the industry expertise, leadership, decision making capabilities, communication skills and professional qualification of the staff.

- The Board will also consider outside sources such as head hunter, referral, and open recruitment.

The total workforce of the Group comprised 13.5% males and 86.5% females as at 31 December 2024.

D. ACCOUNTABILITY AND AUDIT

1. Audit Committee ("AC")

The principal role and functions of the AC are, inter alia, to review the appointment of the external auditor on an annual basis including a review of the audit scope and approval of the audit fees; to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors; to meet the external auditor to discuss issues and reservations (if any) arising from the interim review and final audit, and any matters the auditor suggests to discuss; to review the Group's internal control system; to review the annual and interim report and quarterly result (if any) prior to approval by the Board in accordance with the accounting policies and practices and relevant accounting standards, the Listing Rules and the legal requirements; to serve as a focal point for communication between other Directors and the external auditor in respect of the duties relating to financial and other reporting, internal controls, external audit, and such other matters as the Board determines from time to time; to consider major findings of internal review and management's response and ensure proper arrangement in place for the fair and independent review of such concerns and appropriate follow up action; to devise a framework for the type and authorisation of non-audit services provided by the external auditor.

Detailed terms of reference of the AC are accessible on the website of the Company and the HKEx.

Three AC members are qualified accountants (one of the INEDs who is a qualified accountant, resigned on 17 March 2025). None of the AC members are members of the former or existing auditor of the Company.

D. ACCOUNTABILITY AND AUDIT (Continued)

1. Audit Committee ("AC") (Continued)

Membership and attendance:

The AC comprises Mr. Heng Victor Ja Wei as chairman (appointed on 17 March 2025 following the resignation of Dr. Loke Yu alias Loke Hoi Lam as INED and chairman of AC), Mr. Mak Shiu Chung, Godfrey and Mr. Chui Ka Hing. For the year ended 31 December 2024, all members except Mr. Chui Ka Hing had attended the two (2) meetings. The chief financial officer is a normal attendee of the AC meetings. Where appropriate, representatives of the external auditors are invited to attend the AC meetings to present significant audit and accounting matters which they noted in the course of their audit.

Work done during the year

- carried out interim and final financial review;
- reviewed interim and annual reports before submission to the Board in accordance with the accounting policies and practices, relevant accounting standards, the Listing Rules and the legal requirements;
- reviewed the external auditor's engagement letter; to discuss issues during the audits of external auditor. The external auditor and the senior executives are invited to attend the meeting for annual financial statements;
- reviewed the nature and scope of external audit and approved the external audit fee;
- reviewed the interim financial report, interim results announcement, the annual accounts and the annual results announcement in accordance with the accounting policies and practices and relevant accounting standards, the Listing Rules and the legal requirements;
- reviewed continuing auditor objectivity and to safeguard independence of the Company's auditors;
- met the external auditor to discuss issues and reservations (if any) arising from the interim review and final audit, and any matters the auditor suggests to discuss;
- reviewed the Group's internal control system;
- reviewed the Group's whistleblowing policy;
- served as a focal point for communication between other Directors and the external auditor in respect of the duties relating to financial and other reporting, internal controls, external audit, and such other matters as the Board determines from time to time;

D. ACCOUNTABILITY AND AUDIT (Continued)

1. Audit Committee ("AC") (Continued)

Work done during the year (Continued)

- considered major findings of internal review and management's response and ensure proper arrangement in place for the fair and independent review of such concerns and appropriate follow up action; and

- devised a framework for the type and authorisation of non-audit services provided by the external auditor.

2. Financial Reporting

The financial statements of the Company for the year ended 31 December 2024 have been reviewed by the AC and audited by the external auditor, Crowes (HK) CPA Limited. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Board approves the financial statements after taking into account specific accounting matters. The Board is satisfied that appropriate accounting policies have been used in preparing the financial statements, consistently applied and complied with the relevant accounting standards. Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards and also ensure the publication of the financial statements of the Group in a timely manner.

The Listing Rules require listed companies to prepare annual financial statements which shall provide a true and fair view of the state of affairs of the companies and of the results of their operations and cash flows.

The Board is responsible for ensuring the maintenance of proper accounting records of the Group. It has also acknowledged its responsibility for preparing the financial statements in a timely manner.

A statement of the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 55 to 60 of this annual report.

D. ACCOUNTABILITY AND AUDIT (Continued)

3. Internal Control

The directors are responsible for maintaining and reviewing the effectiveness of the Group's internal controls including material financial, operational and compliance controls, risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function as well as those relating to the Company's ESG performance and reporting.

The Audit Committee has, at a regularly scheduled meeting throughout the year, received a report from Group Internal Audit on the results of their activities during the preceding period and reported to the Board, including any significant matters pertaining to the adequacy and effectiveness of internal controls including, but not limited to any indications of failings or material weaknesses in those controls.

The Board and Audit Committee accordingly have conducted a review of its risk management and internal control systems on (a) whether the Company has an internal audit function; (b) how often the risk management and internal control systems are reviewed; and (c) a statement that a review of the effectiveness of the risk management and internal control systems has been conducted and whether the Company considers them effective and adequate. They also reviewed the effectiveness of the system of internal control of the Group including the relevant financial, operational and compliance controls and risk management procedures and has delegated to the management the implementation of such systems of internal controls.

Appropriate control procedures have been designed to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks (including ESG risks) that may impact on the Group's performance are appropriately identified and managed. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud.

Parties involved in internal control function:

Chief audit executive

The Group's chief audit executive with relevant experience and qualification, serve the Board in the Group to overseeing the Group's financial reporting procedure, internal controls and compliance with the related requirements under the Listing Rules. Notwithstanding, the Board considers the adequacy of resources, qualifications and experience of staff of the Company's accounting and financing reporting function and their training programmes and budget.

D. ACCOUNTABILITY AND AUDIT (Continued)

3. Internal Control (Continued)

Parties involved in internal control function: (Continued)

Internal audit function team

The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to set up an in-house internal audit function team to perform internal audit functions for the Group. As the Group uses internal resources to comply with internal audit function, an in-house internal audit function team was set up in 2015. The Audit Committee has identified the main risks in the Group and that the internal audit function team designed an internal audit program and will emphasise on the review of the risks according to the Risk Management plan. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

The Internal Audit function team comprises two (2) members. It reviews and monitors dealings of the Group to ensure that all dealings with these entities are conducted on an arm's-length basis.

The Internal Audit function team reviews significant aspects of risk management for the Group companies and makes recommendations to the Audit Committee and other committees (as the case may be) if necessary, including amongst other things, the appropriate mitigation. The Audit Committee of the Company has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties have the right and the ability to report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the team leader of internal audit function team to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations, arising from any investigation to him for consideration by the Audit Committee. The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its internal controls and risk management functions to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company.

The Group's internal audit function team provides independent assurance to the Board and executive management on the adequacy and effectiveness of internal controls for the Group. The team leader of internal audit function team reports directly to the Chairman of the Audit Committee under adoption of a risk-and-control-based audit approach. The annual work plan of Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. During 2024, the Group internal audit function team conducted selective reviews of the effectiveness of the Group's internal audit program. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Company's financial position or results of operations and considered the internal control systems to be generally effective and adequate.

D. ACCOUNTABILITY AND AUDIT (Continued)

4. Auditors' Remuneration

During the year under review, the fees paid or payable to the auditor of the Company, Crowe (HK) CPA Limited, were approximately HK$1,800,000 for statutory audit services Rendered (including disbursement fees) rendered to the Group respectively. Remuneration paid to other auditors for audit and non-audit services rendered to overseas subsidiaries was approximately HK$1,821,000.

E. CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the HKEx Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- to review the Company's compliance with the HKEx Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance matters:

- reviewed the corporate governance duties under the HKEx Code; and
- review the compliance with the HKEx Code.

F. COMPANY SECRETARY

Ms. Lo Siu Ting ("Ms. Lo") has been appointed on 1 March 2021 and resigned on 28 February 2025 as the Joint Company Secretary of the Company. Ms. Lo is a Director of Hongkong Managers and Secretaries Limited, a service firm providing professional corporate services to Hong Kong listed and private companies.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Yip Hiu Har, Executive Director of the Company, has been designated as the primary contact person at the Company who worked and communicated with Ms. Lo on the Company's corporate governance and secretarial and administrative matters during 2024.

G. INVESTOR RELATIONS

1. Communication with investors

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the potential investors through its mandatory interim and final reports. Through the timely distribution of press releases, the Group has also kept the public abreast of its latest developments.

The Company has conducted review of the implementation and effectiveness of the Shareholder Communication Policy annually, covering areas such as:

– whether corporate communication materials are provided to shareholders in a timely manner;

– whether electronic means or communication channels are provided to shareholders to facilitate them make enquiries; and

– whether directors and auditors are present in the general meetings to answer questions of shareholders.

The review included checking of the content, delivery channel and schedule of corporate communication materials as well as the attendance records of general meetings. The Shareholder Communication Policy was implemented effectively during the year under review.

2. Annual General Meeting ("AGM")

The AGM provides a useful forum for shareholders to exchange views with the Board. The Chairman as well as chairman of the Committees and their members is pleased to answer shareholders' questions.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors.

The circular to shareholders dispatched together with the annual report includes relevant details of proposed resolutions, including biographies of each candidates standing for re-election. In order to comply with the Listing Rules and CG Code as well, the forthcoming AGM will be held with voting by way of a poll and that all shareholders will be given a notice not less than 21 days. The results of the poll in general meetings from time to time will be published on website of the Company and HKEx.

All directors except Mr. Cheng King Cheung and Ms. Shirley Marie Price had attended the 2024 AGM of the Company held on 8 August 2024.

G. INVESTOR RELATIONS (Continued)

3. Rights and Procedures for Shareholders to Convene Shareholders' Meetings, make enquiries and putting forward proposals at the Shareholders' Meetings

i) the procedures for the way in which shareholders can convene an extraordinary general meeting:

Pursuant to the Company's bye-laws, a special general meeting shall be convened on the written requisitionist of any 2 or more members holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the special general meeting and must be signed by the requisitionists and deposited at the office. If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene a special general meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them may convene the special general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

ii) Make Enquiries:

In accordance with the Company's Shareholders' Communication Policy, the Shareholders direct their questions about their shareholdings to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the "Branch Share Registrar") or the Customer Service Hotline of the Branch Share Registrar at (852) 2980-1333 from 9:00 a.m. to 5:00 p.m. Monday to Friday (excluding Hong Kong public holidays) or by email at matrix1005-ecom@hk.tricorglobal.com.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders shall make a request to the Branch's Share Registrar for the designated email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

G. INVESTOR RELATIONS (Continued)

3. Rights and Procedures for Shareholders to Convene Shareholders' Meetings, make enquiries and putting forward proposals at the Shareholders' Meetings (Continued)

iii) Put forward proposals:

Pursuant to the Company's Bye-Laws, notice in writing by any two (2) or more shareholders entitled to attend and vote at the meeting holding at the date of the deposit of the notice in aggregate not less than one-tenth of such of the paid up capital of the Company (not being the person to be proposed) for which such notice is given of his intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company at least seven (7) days before the date of the general meeting appointed for such election. The period for lodgment of the notice required under this Bye-Law shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

iv) Dividend Policy

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per Share basis. Any dividend for a financial year shall be subject to shareholders' approval. Under the Company Law and the Company Bye-Laws, all of the Company's shareholders have equal rights to dividends and distributions. The declaration of dividends is subject to the discretion of the Board, which the Company expects will take into account one or more of the factors when considering the payment of dividends such as a) the Company's financial results or financial performance; b) the Company's shareholders' interests or needs; c) general business conditions and strategies or business prospects; d) the Company's immediate or anticipated capital requirements; e) contractual restrictions on the payment of dividends by the Company to the Company's shareholders or by the Company's subsidiaries to the Company; f) statutory and regulatory restrictions; g) possible effects on the Company creditworthiness; h) the amount of distributable profits available at the relevant time; and i) any other factors the Board may deem relevant.

1. ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report is prepared with reference to Environmental, Social and Governance Reporting Guide ("ESG Guide") as set out in Appendix C2 (formerly Appendix 27) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for the period from 1 January 2024 to 31 December 2024 (the "Reporting Period").

1.1 Scope of Reporting

The Group is engaged in toy manufacturing business for international brand customers and lighting products manufacturing distributed directly to consumers and through sub-distributors on wholesale basis. This Report covers the relevant policies and performance of the said manufacturing businesses of the Group.

1.2 Application of the reporting principles

This Report is prepared based on the reporting principles of materiality, quantitative, balance and consistency in the ESG Guide.

Materiality: The Group determines the impact of ESG-related issues on internal and external stakeholders through the materiality issue assessment process to conduct key responses and disclosures on material issues.

Quantitative: The Group accounts for and discloses in quantitative terms the ESG KPIs specified in the ESG Guide and discloses in this ESG Report the calculation methods and conversion factors used.

Balance: This ESG Report aims to disclose data objectively and provides stakeholders with a balanced overview of the Group's overall ESG performances.

Consistency: This ESG Report uses consistent methodologies as the previous ESG reports to allow meaningful comparisons of ESG data for the Reporting Period with historical and future data. Any adjustments change in the methodologies are explained in this ESG Report.

1. ABOUT THIS REPORT (Continued)

1.3 ESG Approach

The Group's board oversees the ESG strategy, ensuring effective risk management and internal controls. The Hong Kong office coordinates with factories to collect ESG data, prepare reports, and keep the board informed. The board identifies material ESG issues, assesses risks, and reviews performance against goals and targets related to environmental impact, labor practices, and other ESG aspects. The Group is certified for social compliance standards including International Council of Toy Industries Care Program (international client's labor standards), Ethical Supply Chain Program, Business Social Compliance Initiative Standard and Supplier Ethical Data Exchange Members Ethical Trade Audit Standards promoting safety, social responsibility, fair labor practices, and workplace safety. We strive to embed best practices into daily operations and increase employee engagement in health and safety. While the industry does not pose high environmental risks, the Group minimizes its impact by managing resource use (energy and water) and implementing efficiency measures. The Group is also certified for ISO14001 Environmental Management System.

1.4 Stakeholder Engagement and Materiality

The Group is committed to creating sustainable growth and long-term value for its stakeholders. We maintain an open dialogue with our stakeholders to gather their views on what ESG issues matter most. We engage our key stakeholders including shareholders, employees, suppliers and investors on a regular basis across various platforms, such as meetings and corporate website to gauge their expectations and feedback on how we could address ESG matters in the best manner.

Through the stakeholder engagement, we have identified key ESG issues for the Group. The material assessment shows that social aspects specifically child and forced labor, health and safety, and employee benefits are considered most material due to high expectations from customers and the industry. Product responsibility is less material as our products are manufactured and labeled strictly according to customer specifications, limiting our direct influence. Regarding environmental aspects, electricity and water usage are critical due to both environmental impact and their significant effect on operational costs, leading to a strong internal focus on managing these resources efficiently.

1.5 Environmental, Social and Governance Strategies

The directors and senior management monitor and respond to the latest environmental, social and governance issues and make relevant recommendations to enhance the Group's environmental, social and governance performance and then report to the Board on major issues.

2. ENVIRONMENTAL PERFORMANCE

The Group's main business is manufacturing and therefore that energy use is a critical environmental factor in our manufacturing operations, with electricity consumption being the most significant. Our use of energy included purchased electricity for factory processes and dormitories, non-mobile fuel (natural gas and diesel) for cooking and generators, and mobile fuel (diesel and petroleum) for vehicles.

Carbon emissions from the consumption of energy are one of our major emission sources. During the Reporting Period, the Group has adopted effective measures for reducing carbon emissions, mainly by using energy efficient equipment such as injection molding with infrared nano heating barrels and hydraulic with servo motor and the use of 14W LED Light bulbs.

2.1 Emissions Policy and Compliance

The Group strives to achieve efficiency in the usage of energy, water and materials. We operate in a manner in compliance with relevant local environmental regulations, general practice of respective jurisdictions and international standards, with an aim to reduce the use of natural resources and protect the environment. The Group has implemented a number of measures in accordance with applicable international standards. These include greenhouse gas emission inspections, reduction, classification and recycling of waste, and consultations on energy conservation and carbon reduction in factories with high energy consumption levels.

Total floor area coverage of the Group's various factories in Vietnam was 122,722.2 m^2 (2023: 122,722.2 m^2) and most of the Group's emissions were produced by its factory operations in Vietnam. Major types of emissions from these production plants in the Reporting Period were unleaded diesel oil, electricity, water, paper, hazardous waste and non-hazardous waste.

2.1.1 Types of Emissions

Carbon footprint generated from the manufacturing plants is disclosed in this ESG Report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (GHG) expressed in terms of equivalent amount of carbon dioxide (CO_2-eq) emission.

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.1 Emissions Policy and Compliance (Continued)

2.1.2 Greenhouse Gas Emissions

The total net GHG emission produced by the Group in the course of operation was 12,160.93 tonnes (2023: 12,421.81 tonnes) of carbon dioxide equivalent (tCO_2-eq). The GHG emissions generated from the daily electricity power consumption is the main source of the Group's carbon footprint.

The following table highlights the carbon footprint in the Reporting Period:

		2024	2023	**2024**	2023
Scope of Greenhouse Gas Emissions	**Emission Sources**	**Emission (in tonnes of CO_2e)**	Emission (in tonnes of CO_2e)	**Total Emission (in percentage)**	Total Emission (in percentage)
Scope 1					
Direct Emission	Unleaded Diesel Oil consumed by generator, forklift, boiler	**18.83**	29.71	**0.16%**	0.24%
Scope 2					
Indirect Emission	Purchased Electricity	**12,140.52**	12,390.08	**99.83%**	99.74%
Scope 3					
Other Indirect Emission	Water Consumption	**1.58**	2.02	**0.01%**	0.02%
	Total:	**12,160.93**	12,421.81	**100%**	100%

The major contributor of the GHG emissions was Scope 2: Indirect Emission, which accounts for 99.83% (2023: 99.74%) of the total emissions. A further GHG emission analysis is set forth below:

Unit	**2024**	2023
Total Greenhouse Gas Emitted (a) tCO_2e	**12,160.93**	12,421.81
Total Floor Area Coverage (b) m^2	**122,722.2**	122,722.2
Total production weight (kg)	**11,973,096.22**	10,324,648.96
Annual Emission Intensity (c) = (a)/(b) tCO_2e/m^2	**0.0991**	0.1012
Annual Greenhouse Gas emission Intensity (c) = (a)/(b) tCO_2e/KG	**0.0010**	0.0012
Total Removal by installing of LED equipment (e) tCO_2e	**17.760**	39.970

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.1 Emissions Policy and Compliance (Continued)

2.1.3 Emission Prevention

In 2024, there were 12,160.93 tonnes (2023: 12,421.81 tonnes) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) generated from the Group's operation. The annual emission intensity was 0.0991 tCO_2e/m^2 (2023: 0.1012 tCO_2e/m^2).

The Group endeavors to protect the environment by implementing various measures to minimize environmental adverse impacts arising from its operations and ensure sustainable development and operation of the Group.

To minimize the impact of carbon footprints on the environment, the Group has implemented various energy-saving and energy efficiency measures, including i) encouraging staff to switch off unnecessary lighting, equipment, personal computers and monitors in lunch time, after office hours, while away or in meeting; ii) reducing lighting provisions in non-working areas; iii) installing high-performance electric equipment; iv) replacing normal light bulbs with light-emitting diode ("LED") energy-saving lighting gradually; v) installing roof made of transparent materials to provide natural lighting; vi) switching off unnecessary lighting and electrical appliances when they are not in use; vii) setting the photocopiers in energy saving mode when not in use; and viii) deploying window panes which provide natural ventilation for better indoor air quality as well as natural lighting to save energy. Our target is to eliminate associated CO2 emissions. These measures contributed to a total amount of 17.760 tonnes (2023: 39.970 tonnes) reduction in emission of carbon dioxide equivalent greenhouse gases.

The Group has also strictly complied with the relevant laws and regulations for emissions, the relevant regulations include National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts, National Technical Regulation on Noise and National Technical Regulation on Industrial Wastewater.

2.1.4 Non-hazardous waste, paper and hazardous waste

Non-Hazardous waste

Non-hazardous waste generated from the Group's operation includes living wastes, plastic, packaging materials, carton paper and cloth, which are mainly related to factories' operations as well as sales and marketing functions.

Hazardous waste

A total of 20,660 kg hazardous waste was collected during the Reporting Period (2023: 21,000 kg).

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.1 Emissions Policy and Compliance (Continued)

2.1.5 Use of paper and packaging material

A total of 1.42 tonnes (2023: 1.56 tonnes) has been used in the daily office operations and advertising activities. Some marketing materials such as leaflets, catalogues and sales kits have been disposed through licensed recycling companies. During the Reporting Period, 238,621 tonnes of packaging materials were disposed (2023: 243,241 tonnes). These packaging materials mainly include plastic bottles and carton papers like carton containers used for production and paper waste.

2.1.6 Waste reduction

To better manage the use of resources, the Group strives to adopt paper saving and waste reduction measures, such as default double-sided printing, reusing packaging boxes and stationeries like files folders and envelopes as well as recycling of waste paper, plastic and cloth.

2.2 Use of Resources

2.2.1 Energy

Electricity

The electricity consumption by the Group was 18,450,633 kWh (2023: 18,829,903 kWh).

The Group strives to save energy by installing energy-saving appliances such as LED lighting and switching to low energy consumption equipment. In addition, the Group participated in the Environmental Score-Card ("ESC") program which was launched by the factories in compliance with local environmental regulations and in response to customers' call pertaining to minimization of light nuisance and energy wastage.

2.2.2 Unleaded Diesel Oil

A total of 6,746.84 liters (2023: 10,384 liters) of unleaded diesel oil was consumed, leading to 8.83 tonnes (2023: 29.71 tonnes) of carbon dioxide equivalent in the Reporting Period.

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.2 Use of Resources (Continued)

2.2.3 Water

Water consumption by the Group was 53,745 m^3 (2023: 52,255 m^3) and the corresponding water intensity was 0.443 m^3/m^2 (2023: 0.431 m^3/m^2). Same as last year, only the water consumption in relation to the operation factories and offices with total floor area coverage of 121,316.4 m^2 (2023: 121,316.4 m^2) were included in this section as water usage of our offices in other regions has been embedded in the management fee and thus cannot be quantified separately.

Nevertheless, the Group actively promotes water-saving practices such as i) installing water meters to monitor water consumption; ii) Installation of auto valve to water supply pipe to prevent overflow of water tanks and thus reduce wastage of water; iii) providing periodic training to workers to enhance their awareness on water-saving in factories; and iv) encouraging employees to turn taps off tightly and prevent dripping of water.

2.3 The Environment and Natural Resources

To ensure prompt actions can be taken in response to possible incidents that may cause pollution to the environment, the Group has clearly defined the roles and responsibilities of each managerial post and formulated possible preventive and remedial measures to protect the local ecological environment and avoid the occurrence of environmental pollution and ecological damage on the affected sites as stipulated in COC and ESC. An emergency plan is formulated to cope with possible incidents of pollution. During the Reporting Period, the Group did not find any activities with significant impacts on the environment and natural resources.

2.4 Climate Change

Climate change and global warming are the most pressing environmental problems in the world. It will also lead to transition risks arising from the change in environmental-related regulations or change in customer preferences. the Group has implemented various environmental protection measures to minimize greenhouse gas emissions and non-hazardous waste generation, even though these climate change risks do not significantly impact our current business operations.

3. SOCIAL PERFORMANCE

3.1 Employment Policy and Compliance

The Group recognizes that human resources are a valuable asset and understands that its service quality and competitiveness are highly dependent on the contribution of its employees. Therefore, it offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retains talent. As at 31 December 2024, the Group had a workforce of about 2,200 staff in globally including Hong Kong, the PRC, and Vietnam etc., of which about 2,081 were full-time factory workers.

During the Reporting Period, the employment distribution and annual turnover rate are as follows:

3.1.1 Total workforce by age group

Employee's Age Distribution

Age	18-25	26-35	36-45	46-55	56 and above
2024					
Number of employees	81	406	778	804	12
2023					
Number of employees	109	505	920	769	7

3.1.2 Annual Turnover Rate

Annual Turnover Rate

Age	18-25	26-35	36-45	46-55	56 and above
2024					
Percentage of turnover	21.2%	32.97%	30.43%	12.50%	2.90%
2023					
Percentage of turnover	21.12%	29.27%	28.15%	21.19%	0.25%

Salaries are reviewed and adjusted based on performance appraisals and the market trend.

3. SOCIAL PERFORMANCE (Continued)

3.1 Employment Policy and Compliance (Continued)

Employees in the Group are entitled to year-end bonus, mandatory provident fund, medical insurance, various types of paid leave in addition to the statutory benefits such as annual leave, sick leave and maternity leave.

The Group's mission, policies, procedures, promotion mechanism, compensation and benefits, occupational health and safety, and complaint handling are set out in the factory employee handbook which is subject to regular review to ensure compliance with latest labour laws and regulations.

3.2 Health and Safety Policy and Compliance

Due to the industrial business nature, recruitment and retention of capable staff has continued to be a challenge in the Reporting Period. The Group is committed to providing a safe and healthy working environment for factory employees. The Group also advocates equal opportunity in employment practices. Employees are treated fairly in terms of compensation, promotion opportunity and training regardless of their age, gender and ethnical backgrounds. Despite that aging population is a common and long-term demographic trend in the countries where the Group operates, the Group will be able maintain a stable workforce to ensure sustainable growth.

The Group regularly reviews the health and safety procedures of its factories to safeguard factory employees' well-being. Briefings, trainings, news and tips are provided to factory employees from time to time to strengthen their awareness and to refresh their knowledge and skills on using plant equipment. Providing pre-job, annual and post health examinations to employees; conducting regular internal inspection of fire safety equipment, machineries and industrial safety. providing Correct Personal Protective Equipment (PPE), such as safety glasses, mask and ear plugs, to employees and correctly worn according to the needs of the operation; performing bi-annual fire drills for all employees; ensuring first-aid kits are readily available and accessible at all times; providing allowances to workers to support their well-being. Our target is to eliminate the safety issues.

During the Reporting Period, the Group was not aware of any non-compliance with health and safety laws and regulations that have a significant impact on the Group relating to the provision of a safe working environment and the protection of employees from occupational hazard.

3. SOCIAL PERFORMANCE (Continued)

3.2 Health and Safety Policy and Compliance (Continued)

3.2.1 Occupational Health and Safety Data

The occupational health and safety data is as below:

	2024	2023
Work related fatality	**0**	0
Work injury cases >3 days	**1**	2
Work injury cases <3 days	**0**	0

	2024	2023
Lost days due to work injury	**23**	45
Total Labour working days	**632,624**	702,240

3.2.2 Safety Measures

Safety precautions alert are communicated to factory employees from time to time through briefings and guidelines to promote and enhance safety awareness and practices. The management will continue to make effort in strengthening the Group's occupational health and safety standard.

3.3 Development and Training

A comprehensive range of professional training is provided by the Group to factory workers. All newly hired factory workers are required to participate in a mandatory orientation session. These sessions are designed to help workers familiarize themselves with the Group's vision, aspirations, missions, core values, business goals, as well as to learn about product manufacturing and equipment handling procedures. In addition, regular supplementary courses are provided for employees who wish to refresh their knowledge. The Group also hosts management workshops for eligible employees.

Total number of training hours in the Reporting Period is as follows:

	2024	2023
Total Number of Factory employee	**2,081**	2,310
Total Training Hours	**8 hours/ employee**	4 hours/ employee

3. SOCIAL PERFORMANCE (Continued)

3.3 Development and Training (Continued)

The Group actively engages and motivates factory employees through various communication channels. Latest corporate news, activities and staff promotion announcements are communicated to factory employees through regular newsletters. The Group also organised various team-building activities such as annual dinner and festival-related celebration to enhance two-way communication between senior management and general staff. The Group believes that having a transparent governance system and continuous investing in human resources are essential to the success of a sustainable business.

3.4 Labour Standard

3.4.1 Child and forced labour

All employments within the Group are voluntary and any child or forced labour is specifically forbidden. In the Reporting Period, the Group operated in compliance with applicable labour laws, including those of Vietnam. A comprehensive screening process is in place pursuant to the guidelines set forth by the Group's Human Resources Department. Every job applicant is required to complete a questionnaire and provide the stipulated information which will be checked and verified by the Human Resource Department. This also allows the Group to hire suitable candidate in accordance with the job requirements while meet the candidates' expectations.

3.5 Supply Chain Management

A strict tendering process is implemented to ensure a fair and transparent mechanism is in place for procurement of all equipment, products and services. Relevant departments are responsible for preparing tender requests which are subject to the Group's quality assurance policy management program and the tender requests should be included in the annual budgeting process. Supporting documents such as testing reports shall be provided to evaluate the suppliers' performance so that the best suitable vendor can be selected. The Group also monitors the overall performance of selected suppliers by conducting audits and obtaining appropriate documentary proof to support and justify the appointment and on-going cooperation.

3.5.1 Number of Suppliers by Geographical Region

The Group has around 500 service and product suppliers in Hong Kong, the PRC and Vietnam.

3.5.2 Suppliers' Engagement

The Group maintains good relationship with its suppliers to ensure service stability and product quality. Suppliers are assessed and selected based on objective and clear criteria including production process, quality management system, regulatory compliance, operating capacity, availability of sample for testing, packaging, procedures, price and delivery pledge to ensure the best value for money services or products are procured.

3. SOCIAL PERFORMANCE (Continued)

3.6 Product Responsibility

To provide high quality products to customers, the Group carefully sourced its products and equipment in accordance with its standardised procurement procedures and policies. A comprehensive procurement management system is implemented by the Group to screen out undesirable products when sourcing raw materials, ingredients and quality management system in factories, etc.

3.6.1 Products and Service Related Complaints

The Group has always been keen to maintain its good brand quality. During the Reporting Period, there was no significant complaint in relation to product quality and delivery.

3.6.2 Protecting Intellectual Property Rights

The Group owned and registered a number of patents, trademarks and domain names which are important to its brands and corporate image. The Group has complied with all applicable regulations in relation to intellectual property ("IP") rights. During the Reporting Period, the Group did not aware any material infringement of IP rights. The Group is confident that all reasonable measures have been taken to prevent any infringement of its IP rights and at the same time avoid infringing the IP rights of other parties.

3.6.3 Quality Assurance Process

The Group devotes to provide customers with innovative and high-quality products and at the same time place great emphasis on quality compliance. Considerable efforts are made to strengthen product quality and new equipment is procured to enhance its competitiveness.

3.6.4 Consumer Data Protection and Privacy Policies

The Group complies with the Personal Data (Privacy) Ordinance ("PDPO") and sets out the guidelines in relation to personal data protection in the Group's Code of Conduct. Procedures are in place to ensure that all personal data collected from employees, customers and suppliers are kept confidential. Password is required for access to computers and servers to ensure that confidential information is protected from unauthorized access. All employees are reminded to strictly adhere to the guidelines set out in the Group's Code of Conduct to ensure personal data is collected, used, maintained, managed, stored and handled properly in compliance with the PDPO and relevant regulations.

3. SOCIAL PERFORMANCE (Continued)

3.7 Anti-Corruption

The Group is committed to upholding the core values of honesty, integrity and fairness in the daily operation. All directors and employees are required to strictly follow the Group's Code of Conduct to prevent potential bribery, extortion and fraud.

3.7.1 Preventive Measures

The Group encourages whistleblowing whereby any employee or third parties could report any concern about suspected misconduct, malpractice or irregularity, and conflict of interest in strict confidence.

The Group has reinforced these messages as codified in the Group's Code of Conduct to employees to ensure they understand the requirements. There was no related legal case concluded against the Group during the Reporting Period.

3.8 Community Investment

The Group is committed to fostering harmonious relationships with the communities where it operates. The Group also recognizes that community participation is important for its long-term development. During the Reporting Period, the Group worked closely with various stakeholders to promote trade union development.

4. THE FUTURE DIRECTION OF THE GROUP

The Group will continue to actively source energy-saving appliances, equipment and materials by carefully selecting and reviewing suppliers and scrutinize the product origins. In addition, more training will be provided to employees to strengthen their awareness of the possible impacts brought about by the Group's business on the environment and society. The Group will also review its resource consumption to look for improvement areas and achieve sustainable development which in turn will enhance its capability to attract talents in future.

5. REPORTING FRAMEWORK

Key Performance Index (the "KPI") Reference Table is presented below:

KPI of the ESG Guide		Corresponding headings in this ESG report
A	Environmental Performance	2.
A1	Emissions Policy and Compliance	2.1.
A1.1	Types of Emissions	2.1.1.
A1.2	Greenhouse Gas Emissions	2.1.2.
A1.3	Hazardous Waste	2.1.4.
A1.4	Non-Hazardous Waste	2.1.4.
A1.5	Emission Mitigation	2.1.3.
A1.6	Hazardous and Non-hazardous Wastes Reduction	2.1.6.
A2	Use of Resources	2.2.
A2.1	Energy Consumption	2.2.1.
A2.2	Water Consumption	2.2.3.
A2.3	Energy Use Efficiency	2.2.1.
A2.4	Water Use Efficiency	2.2.3.
A2.5	Total Packaging Material Used for Finished Products	2.1.5.
A3	The Environment and Natural Resources	2.3.
A3.1	Impacts of Activities on the Environment and Natural Resources	2.3.

5. REPORTING FRAMEWORK (Continued)

Key Performance Index (the "KPI") Reference Table is presented below: (Continued)

KPI of the ESG Guide		Corresponding headings in this ESG report
B	Social Performance	3.
B1	Employment Policy and Compliance	3.1.
B1.1	Total Workforce	3.1.1.
B1.2	Employee Turnover Rate	3.1.2.
B2	Health and Safety Policies and Compliance	3.2.
B2.1	Number and Rate of Work-related Fatalities	3.2.1.
B2.2	Lost Days Due to Work Injury	3.2.1.
B2.3	Occupational Health and Safety Measures	3.2.2.
B3	Development and Training Policies	3.3.
B3.1	Percentage of Employees Trained	3.3.
B3.2	Average Training Hours	3.3.
B4	Labour Standards	3.4.
B4.1	Avoid Child and Forced Labour	3.4.1.
B4.2	Steps Taken to Eliminate Child and Forced Labour	3.4.1.
B5	Supply Chain Management	3.5.
B5.1	Number of Suppliers by Geographical Region	3.5.1.
B5.2	Suppliers Engagement	3.5.2.
B6	Product Responsibility	3.6.
B6.1	Product Recall or Return	3.6.
B6.2	Products and Service Related Complaints	3.6.1.
B6.3	Protecting Intellectual Property Rights	3.6.2.
B6.4	Quality Assurance Process	3.6.3.
B6.5	Consumer Data Protection and Privacy Policies	3.6.4.
B7	Anti-corruption Policies and Compliance	3.7.
B7.1	Number of Concluded Legal Cases Regarding Corrupt Practices	3.7.1.
B7.2	Preventive Measures and Whistle-blowing Procedures	3.7.1.
B8	Community Investment	3.8.
B8.1	Focus Areas of Contribution	3.8.
B8.2	Resources Contributed	3.8.

Report of the Directors

The Directors of the Company have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are manufacturing and trading of toys and lighting products. The activities of its principal subsidiaries are set out in Note 22 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in Note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 59.0% of the Group's turnover, with the largest customer accounted for approximately 32.8%. The aggregate purchases attributable to the Group's five largest suppliers were approximately 29.5% of total purchases of the Group, with the largest supplier accounted for approximately 8.2%.

At no time during the year did any Director, any associate of a Director, or any shareholder, which to the knowledge of the Directors owned more than 5% of the Company's share capital, have any beneficial interests in these customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61.

The Board resolved on 3 May 2024 to declare and pay a 2023 second interim dividend of HK3 cents per share. During the year, the Company has paid the said 2023 second interim dividend and the Directors have declared 2024 interim dividend of HK1.5 cents per share. Both 2023 second interim dividend and 2024 interim dividend were paid by cash. The total cash dividend paid during the year was approximately HK$34,029,000.

The Directors now recommend the payment of a final dividend of HK1 cent per share amounting to approximately HK$7,562,000, to the shareholders on the register of members on 23 May 2025 payable in cash. The remaining distribution reserves in the Company amounted to approximately HK$178,575,000.

DIVIDEND POLICY

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per Share basis. Any dividend for a financial year shall be subject to shareholders' approval. Under the Company Law and the Company Bye-Laws, all of the Company's shareholders have equal rights to dividends and distributions. The declaration of dividends is subject to the discretion of the Board, which the Company expects will take into account one or more of the factors when considering the payment of dividends as stated in the Corporate Governance Report in this report.

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2024 are set out in Note 32 to the consolidated financial statements.

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.

DISTRIBUTION RESERVES

Distribution reserves of the Company at 31 December 2024, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$186,137,000 (2023: HK$400,779,000).

The contributed surplus of the Company represents the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying consolidated net tangible assets of subsidiaries acquired as a result of a group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DEBENTURES/EQUITY LINKED AGREEMENTS

No debentures or equity linked agreements were issued during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 148.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Cheng Yung Pun *(Chairman)*
Cheng King Cheung
Yip Hiu Har
Shirley Marie Price *(appointment effective 12 March 2024)*

Independent non-executive Directors:

Loke Yu alias Loke Hoi Lam *(resignation effective 17 March 2025)*
Mak Shiu Chung, Godfrey
Heng Victor Ja Wei
Chui Ka Hing

OTHER INFORMATION OF DIRECTORS

In the last three years, Mr. Heng Victor Ja Wei ("Mr. Heng"), INED of the Company, resigned as independent non-executive director ("INED") of CIMC-TianDa Holdings Company Limited (Stock Code: 0445) on 1 February 2021 (a company whose shares were delisted from the Stock Exchange) and Best Food Holding Company Limited (Stock Code: 1488) on 13 December 2024 (a company whose shares are listed on the Stock Exchange). Mr. Heng was appointed as an INED of TradeGo FinTech Limited (Stock Code: 8017) with effect from 8 February 2023.

OTHER INFORMATION OF DIRECTORS (Continued)

Save as disclosed above, there is no information required to be disclosed pursuant to the Rule 13.51(B)(1) of the Listing Rules.

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the eight Directors are as follows:

Name	Fees HK$'000	Salary HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors				
Cheng Yung Pun	–	516	–	516
Cheng King Cheung	–	2,405	148	2,553
Yip Hiu Har *(note 1)*	–	3,250	18	3,268
Shirley Marie Price *(note 2)*		3,900	135	4,035
Independent Non-executive Directors				
Loke Yu alias Loke Hoi Lam *(note 3)*	110	–	–	110
Mak Shiu Chung, Godfrey	110	–	–	110
Heng Ja Wei, Victor	110	–	–	110
Chui Ka Hing	110	–	–	110
	440	10,071	301	10,812

Note 1: Ms. Yip Hiu Har is also the chief executive.

Note 2: Appointed with effect from 12 March 2024.

Note 3: Resigned with effect from 17 March 2025.

DIRECTORS' SERVICE CONTRACTS

In accordance with clause 99 of the Bye-Laws of the Company, Mr. Cheng Yung Pun, Mr. Cheng King Cheung and Mr. Chui Ka Hing who have been longest in office since their last elections and will retire by rotation at the AGM. The retiring directors have indicated that they will offer themselves for re-election at the AGM and they are eligible to do so.

The term of office of each Director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the independent non-executive Directors, the annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive Directors independent.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Details of related party transactions during the year are set out in Note 38 to the consolidated financial statements.

Save as disclosed above, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company and directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors have any interests in competing business to the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2024, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

(a) Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK$0.10 each of the Company

Name of Director/ chief executive officer		Personal Interests	Family Interests	Corporate Interests *(Note)*	Other Interests	Total	% of the issued share capital of the Company
Cheng Yung Pun *(Director)*	Long position	–	–	538,573,569	–	538,573,569	71.22%
Cheng King Cheung *(Director)*	Long position	22,112,000	–	–	–	22,112,000	2.92%
Yip Hiu Har *(Director and Chief Executive Officer)*	Long position	350,000	–	–	–	350,000	0.05%
Shirley Marie Price *(Director)*	Long position	88,000	–	–	–	88,000	0.01%

Note:

The shares are held by Smart Forest Limited ("Smart Forest"), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Forest is wholly owned by Mr. Cheng Yung Pun.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Other than as disclosed in the section "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying shares and Debentures of the Company or any specified undertaking of the Company or any other associated corporation", at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, was a party to any arrangements to enable the directors of the Company and their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

(a) Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK$0.10 each of the Company

Name of the shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest *(Note 1)*	Beneficial owner	538,573,569	71.22%

Note:

(1) Smart Forest, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Cheng Yung Pun, director of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2024.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 C1 (the "HKEx Code") to the Listing Rules on the Stock Exchange.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the HKEx Code and CG Code except for the deviation from code provision B.2.4(a). Under the code provision B.2.4(a), where all the independent non-executive directors ("INEDs") of an issuer have served more than nine years on the board, the issuer should disclose the length of tenure of each existing INED on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. While the Company has disclosed in circular dated 17 July 2024 (the "Circular") that Mr. Mak Shiu Chung, Godfrey ("Mr. Mak") and Mr. Heng Victor Ja Wei ("Mr. Heng"), the two INEDs who were subject to re-election, have served more than 9 years and stipulated the commencement date of their appointments and provided reasons why they were suitable for re-election, we did not explicitly specify the length of tenure of each existing INED due to different interpretation of the requirements of this code provision. As at the date of the Circular, Mr. Mak has served as INED of the Company for 24 years and 11 months, Mr. Heng Victor Ja Wei has served as INED of the Company for 12 years and 4 months.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

The Company has received two revised facility letters with the same facility amount of the old facility, that is, in an aggregate not exceeding HK$70,000,000, provided to three indirect wholly-owned subsidiaries effective on 18 September 2020 (the "revised facilities" which are subject to annual review). All these two revised facility letters' terms and conditions included, inter alia, a condition to the effect that Mr. Cheng Yung Pun (a controlling shareholder of the Company) should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company. A breach of the above condition will constitute an event of default under the revised facilities. The Bank will discuss for remedy actions including obtaining waiver for the breach or seeking for any viable solutions or alternatives. Nevertheless, the revised facilities will be uncommitted lines and the Bank reserves the right to request repayment on demand.

AUDITOR

At the Special General Meeting of the Company held on 24 October 2024, Crowe (HK) CPA Limited ("Crowe (HK)"), was appointed as the new auditor of the Company to fill the casual vacancy following the retirement of Messers. RSM Hong Kong Limited ("RSM") at the annual general meeting of the Company held on 8 August 2024. Details of the change and the appointment of the auditors were set out in the announcements of the Company dated 15 August 2024 and 24 September 2024.

Saved as disclosed above, the Company had not changed its external auditors in any of the preceding three years. The consolidated financial statements of the Company for the financial year 2024 were audited by Crowe (HK) whereas the consolidated financial statements of the Company for the financial years 2021, 2022 and 2023 were audited by RSM.

A resolution will be proposed at the forthcoming annual general meeting (the "AGM") of the Company to re-appoint Crowe (HK), who will retire at the AGM and, being eligible offer themselves for re-appointment, as auditors of the Company.

By order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 26 March 2025

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF MATRIX HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Matrix Holdings Limited (the"Company") and its subsidiaries (the "Group") set out on pages 61 to 147, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects on the comparability of the current year's figures and the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As stated in the Independent Auditor's Report on the Group's consolidated financial statements for the year ended 31 December 2023 dated 28 June 2024 issued by the predecessor auditor, the Group entered into arrangements with two companies to provide racehorse management services during the year ended 31 December 2023. During the course of the audit, management provided the predecessor auditor with a cooperation agreement dated 1 January 2023 (the "Agreement") entered into between the Company's wholly-owned Australian incorporated subsidiary ("Subsidiary Y") and a Belize incorporated company ("Company A"); and a letter of undertaking dated 1 January 2023 (the "Undertaking") signed by an Australian incorporated company ("Company B"), where Mr. Cheng Yung Pun, the ultimate controlling party of the Company, served as a director.

QUALIFIED OPINION (Continued)

Basis for Qualified Opinion (Continued)

According to the Agreement, Subsidiary Y was to provide management, day-to-day care and training of racehorses to Company A in return for prize money earned by these horses. However, the Agreement did not specify details about the horses or their owners. The Undertaking described Company A as an agent of Company B, with Subsidiary Y as the service vendor of Company A to provide horse management services to Company B. Company B acknowledged that Company A or Subsidiary Y would receive the prize money for the year ended 31 December 2023 and agreed not to request any refunds. However, details about the horses managed or prize money earned were not specified.

During the year ended 31 December 2023, Subsidiary Y recognised gross prize money earned by the horses owned by Company B of approximately AUD2,876,000 (equivalent to approximately HK$15,245,000) as other income as detailed in note 9 to the consolidated financial statements. The net prize money of approximately AUD2,387,000 (net of GST and fees deducted by the horse racing authority) was deposited into Subsidiary Y's bank account. The predecessor auditor had not been provided with explanations and supporting documents by management that would satisfy themselves (i) that accepting prize money as consideration for horse management, day-to-day care and training services was a general practice in the horse racing industry; (ii) the business rationale behind Subsidiary Y's decision to accept prize money as the compensation for horse management services, rather than securing fixed service fees, despite the inherent uncertainties associated with the profitability of horse racing, which could potentially expose the Group to substantial losses from such arrangements; and (iii) whether the arrangements with Company A and Company B were properly authorised before execution.

Accordingly, the predecessor auditor had not been able to obtain sufficient appropriate audit evidence to satisfy themselves about the concerns they expressed as to the commercial substance of the horse racing management service income and there were no alternative procedures they could carry out to satisfy themselves that it was appropriately recorded in the Group's consolidated financial statements for the year ended 31 December 2023. Therefore, the audit opinion on the consolidated financial statements for the year ended 31 December 2023 was modified accordingly.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill, property, plant and equipment and right-of-use assets related to US toys operation	
Refer to notes 19, 20 and 21 to the consolidated financial statements. Management engaged an independent valuer to determine the recoverable amount of goodwill, property, plant and equipment and right-of-use assets related to the whole sale and distribution of toys primarily in the US region (collectively referred to as the "US Toys Related Assets") because there were indicators of impairment. For the purposes of impairment testing, the US Toys Related Assets are treated as a cash-generating unit and its recoverable amount has been determined based on a value in use calculation which requires management to estimate the future cash flows expected to arise from the cash-generating unit, using discount cash flow model to calculate the present value. Key assumptions used in the calculation included the estimated growth rates and discount rate. Based on the value in use calculation, an impairment loss totalling HK$90,455,000 on goodwill, property, plant and equipment and right-of-use assets was recognised during the year. In view of the significance of these balances to the consolidated financial statements, and the significant management judgement and estimation uncertainty associated with the recoverable amount assessment of the US Toys Related Assets, this is considered as a key audit matter.	Our procedures in relation to this matter include: • Obtaining an understanding of process of the Group's impairment assessment and the relevant key controls over the assessment of impairment of goodwill, property, plant and equipment and right-of-use assets; • Obtaining the recoverable amount calculation of the cash-generating unit prepared by the management and checking its mathematical accuracy; • Assessing the appropriateness of the key estimations and assumptions adopted in the discounted cash flows model for impairment assessments, including revenue growth rates, gross margin and discount rate applied; • Evaluating the reasonableness of source data, on a sample basis, to supporting evidence, such as approved budgets; • Performing retrospective review of cash flow projection made by management by comparing the historical analysis made against the actual performance; and • Performing sensitivity analysis on the assumptions made by the management in determining the value in use of the cash-generating unit.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2025

Lam Cheung Shing
Practising Certificate Number P03552

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Revenue	*7*	**456,859**	714,486
Cost of sales		**(304,493)**	(405,806)
Gross profit		**152,366**	308,680
Other income	*9*	**11,319**	26,652
Other gains and losses	*10*	**4,559**	10,445
Distribution and selling costs		**(181,074)**	(194,134)
Administrative expenses		**(160,096)**	(156,235)
Research and development costs		**(3,666)**	(20,237)
Impairment loss on property, plant and equipment		**(13,041)**	(13,000)
Impairment loss on intangible assets		**(41,822)**	(55,000)
Impairment loss on right-of-use assets		**(38,284)**	–
Impairment loss on financial assets		**(1,738)**	(1,998)
Loss from operations		**(271,477)**	(94,827)
Finance costs	*11*	**(4,473)**	(3,801)
Loss before tax	*13*	**(275,950)**	(98,628)
Income tax expense	*12*	**(22,781)**	(4,312)
Loss for the year		**(298,731)**	(102,940)
Other comprehensive expense for the year, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(23,908)**	(5,975)
Total comprehensive expense for the year		**(322,639)**	(108,915)
Loss for the year attributable to:			
Owners of the Company		**(298,573)**	(102,604)
Non-controlling interests		**(158)**	(336)
		(298,731)	(102,940)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(322,692)**	(108,060)
Non-controlling interests		**53**	(855)
		(322,639)	(108,915)
		HK cents	HK cents
Loss per share:	*18*		
Basic and diluted	*18*	**(39.5)**	(13.6)

The accompanying notes on pages 67 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**81,283**	119,518
Right-of-use assets	*20*	**38,995**	214,462
Intangible assets	*21*	**–**	41,822
Deposits	*25*	**109,573**	121,086
Deferred tax assets	*31*	**–**	23,405
		229,851	520,293
Current assets			
Inventories	*23*	**307,751**	189,275
Trade and bills receivables	*24*	**77,591**	113,521
Prepayment, deposits and other receivables	*25*	**19,296**	25,470
Current tax assets		**1,939**	1,595
Fixed bank deposits with maturity over three months	*26*	**899**	–
Bank and cash balances	*26*	**56,834**	181,202
		464,310	511,063
Current liabilities			
Trade payables	*27*	**27,007**	30,305
Accruals and other payables	*27*	**77,421**	71,105
Contract liabilities	*28*	**3,471**	3,477
Bank borrowings	*29*	**5,242**	4,234
Lease liabilities	*30*	**10,552**	14,749
Amount due to a director	*38(c)*	**2,904**	–
Current tax liabilities		**9,497**	23,894
		136,094	147,764
Net current assets		**328,216**	363,299
Total assets less current liabilities		**558,067**	883,592

	Note	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Lease liabilities	*30*	**61,746**	30,620
Deferred tax liabilities	*31*	**1,759**	1,742
		63,505	32,362
NET ASSETS		**494,562**	851,230
Capital and reserves			
Share capital	*32*	**75,620**	75,620
Reserves	*34*	**431,393**	788,114
Equity attributable to owners of the Company		**507,013**	863,734
Non-controlling interests		**(12,451)**	(12,504)
TOTAL EQUITY		**494,562**	851,230

The consolidated financial statements on pages 61 to 147 were approved by the Board of Directors on 26 March 2025 and were signed on its behalf by:

Mr. Cheng Yung Pun
Director

Ms. Yip Hiu Har
Director

The accompanying notes on pages 67 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000 *(note 34 (b)(i))*	Shareholders' contribution HK$'000 *(note 34 (b)(ii))*	Other reserve HK$'000	Translation reserve HK$'000 *(note 34 (b)(iii))*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023	75,620	189,090	21,028	(150)	(62,641)	824,467	1,047,414	(11,649)	1,035,765
Changes in equity for 2023									
Loss for the year	–	–	–	–	–	(102,604)	(102,604)	(336)	(102,940)
Other comprehensive expense	–	–	–	–	(5,456)	–	(5,456)	(519)	(5,975)
Total comprehensive expense for the year	–	–	–	–	(5,456)	(102,604)	(108,060)	(855)	(108,915)
Dividend paid *(note 17)*	–	–	–	–	–	(75,620)	(75,620)	–	(75,620)
At 31 December 2023	75,620	189,090	21,028	(150)	(68,097)	646,243	863,734	(12,504)	851,230
At 1 January 2024	**75,620**	**189,090**	**21,028**	**(150)**	**(68,097)**	**646,243**	**863,734**	**(12,504)**	**851,230**
Changes in equity for 2024									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(298,573)**	**(298,573)**	**(158)**	**(298,731)**
Other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**(24,119)**	**–**	**(24,119)**	**211**	**(23,908)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**(24,119)**	**(298,573)**	**(322,692)**	**53**	**(322,639)**
Transfer to retained profits	**–**	**–**	**(21,028)**	**–**	**–**	**21,028**	**–**	**–**	**–**
Dividend paid *(note 17)*	**–**	**–**	**–**	**–**	**–**	**(34,029)**	**(34,029)**	**–**	**(34,029)**
At 31 December 2024	**75,620**	**189,090**	**–**	**(150)**	**(92,216)**	**334,669**	**507,013**	**(12,451)**	**494,562**

The accompanying notes on pages 67 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 **HK$'000**	2023 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(275,950)**	(98,628)
Adjustments for:		
Loss/(gain) on disposal of property, plant and equipment	**322**	(435)
Gain on dissolution of a subsidiary	**(13,000)**	–
Interest income	**(1,106)**	(3,348)
Finance costs	**4,473**	3,801
Depreciation of property, plant and equipment	**31,612**	37,109
Depreciation of right-of-use assets	**21,321**	21,251
(Reversal of written down)/written down of inventories	**(1,015)**	23,230
Reversal of impairment loss on deposit	**–**	(11,000)
Impairment loss on property, plant and equipment	**13,041**	13,000
Impairment loss on intangible assets	**41,822**	55,000
Impairment loss on right-of-use assets	**38,284**	–
Impairment loss on financial assets	**1,738**	1,998
Gain on early termination of a lease	**(198)**	–
Unrealised exchange differences	**9,399**	–
	(129,257)	41,978
Change in working capital:		
Decrease in inventories	**24,809**	41,434
Decrease/(increase) in trade receivables	**32,991**	(31,257)
Decrease in prepayments, deposits and other receivables	**4,823**	9,526
(Decrease)/increase in trade payables	**(2,962)**	1,220
Increase/(decrease) in accruals and other payables	**9,872**	(24,671)
(Decrease)/increase in contract liabilities	**(6)**	928
Cash (used in) generated from operations	**(59,730)**	39,158
Income tax refund	**–**	–
Income tax paid	**(1,029)**	(6,939)
Net cash (used in) generated from operating activities	**(60,759)**	32,219
INVESTING ACTIVITIES		
Interest income on bank deposits	**1,106**	3,348
Increase in the bank deposits with maturity over three months	**(899)**	–
Proceeds from disposals of property, plant and equipment	**11,529**	832
Purchase of property, plant and equipment	**(25,024)**	(18,046)
Refund of the deposit paid for acquisition of a subsidiary	**3,710**	–
Net cash used in investing activities	**(9,578)**	(13,866)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
FINANCING ACTIVITIES		
Proceeds from new bank borrowings	**3,671**	–
Interest paid on bank borrowings	**(220)**	(384)
Interest paid on lease liabilities	**(4,253)**	(3,417)
Advance from a director	**2,904**	–
Dividends paid to owners	**(34,029)**	(75,620)
Repayment of bank borrowings	**(2,663)**	(1,711)
Repayment of lease liabilities	**(17,309)**	(18,190)
Net cash used in financing activities	**(51,899)**	(99,322)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(122,236)**	(80,969)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**181,202**	258,959
Exchange differences on cash and cash equivalents	**(2,132)**	3,212
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**56,834**	181,202
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**56,834**	181,202

The accompanying notes on pages 67 to 147 are an integral part of these consolidated financial statements.

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 and property development.

In the opinion of the directors of the Company, as at 31 December 2024, Smart Forest Limited, a company incorporated in the British Virgin Islands ("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 HKFRS Accounting Standards, which includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

The Group incurred a loss of HK$298,731,000 for the year ended 31 December 2024 and the bank deposits, bank and cash balances decreased by HK$123,469,000 from HK$181,202,000 as at 31 December 2023 to HK$57,733,000 as at 31 December 2024. In view of such circumstances, the directors have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. After the end of the reporting period, the ultimate controlling party Mr. Cheng Yung Pun ("Mr. Cheng") provided a financial support to the Group to enable the Group to meet its liabilities and financial obligations as and when they fall due and continue its business as a going concern basis in the next 15 months from 31 December 2024. Up to the date of approval of these consolidated financial statements, Mr. Cheng advanced a total of HK$20,000,000 to the Group for working capital. The directors have reviewed the cash flow projection of the Group prepared by management covering a period of not less than twelve months from 31 December 2024. Taking into account of the financial support from Mr. Cheng, the directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

The HKICPA has issued certain amendments to HKFRSs and HKAS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on the application of new and amendments to HKFRS Accounting Standards to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(a) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs and HKAS issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

The Group has not applied any new standard or interpretation that is not yet effective for the current year.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

HKFRS 18 will replace HKAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the consolidated statement of profit or loss and other comprehensive income providing management-defined performance measures within the consolidated financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. The Group expects to apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

Except for the abovementioned changes in presentation and disclosure, these pronouncements are not expected to have a material impacts on the results or the financial position of the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Basis of consolidation (Continued)

All intragroup balances, transactions and unrealised profits arising from intra-group transactions are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred where necessary, to ensure consistency with the policies adopted by the Group, adjustments are made to the financial statements of subsidiaries.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination (other than under common control) and goodwill

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Business combination (other than under common control) and goodwill (Continued)

Business combinations (Continued)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employees Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Business combination (other than under common control) and goodwill (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Business combination (other than under common control) and goodwill (Continued)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group's operations that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities of the Group's operations are translated at the closing rate at the end of each reporting period;

– Income and expenses are translated at average exchange rates for the period (unless exchange rate fluctuate significantly during that period, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is recognised so as to write-off their costs less their residual values over the estimated useful lives, using the straight-line method. The useful lives are as follows:

Buildings	25–50 years or over the lease term if shorter
Leasehold improvements	10 years or over the lease term, if shorter
Plant and machinery	5–10 years
Moulds	3–10 years
Others	3–10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents building for production, supply or administrative purpose and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Property, plant and equipment (Continued)

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leases (Continued)

(i) The Group as a lessee (Continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

The Group enters into arrangements to sublease an underlying asset to a third party, while the Group retains the primary obligation under the original lease. In these arrangements, the Group acts as both the lessee and lessor of the same underlying asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately, including patents, are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives, including trademark, that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project), including TV programs, is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination, including customer base, are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

i) Toys and lighting operations

Cost of inventories is determined using the first-in, first-out basis. The cost of finished goods comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

ii) Leasehold land held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(h) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(i) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income are presented in other income.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in other comprehensive income and accumulated under the reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments/receivables. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, and is transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of toys and lighting products to customers is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery).

Certain of the Group's contracts with customers are based on customer's specification with no alternative use. Taking into consideration for contract terms and the relevant legal and regulatory environment that apply to the relevant contracts, performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Revenue and other income (Continued)

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Income from subleasing of right-of-use assets is recognised based on the straight-line method over the lease terms.

Royalty income is recognised on accrual basis in accordance with the substance of the relevant agreements.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits, and when the Group recognises any related restructuring costs.

(n) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(o) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

(p) Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(p) Taxation (Continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity by the same taxation authority.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right of- use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade and bills, receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default;

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amount.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

(t) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) Estimated useful lives and residual values of property, plant and equipment

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the property, plant and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation expenses would be significantly affected by the useful lives and residual values of the property, plant and equipment as estimated by management.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(a) Critical judgements in applying accounting policies (Continued)

(ii) Income taxes and deferred taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that will be recovered from taxable income arising from continuing operations in the foreseeable future.

As at 31 December 2024, the deferred tax assets and deferred tax liabilities were HK$ Nil (2023: HK$23,405,000) and HK$1,759,000 (2023: HK$1,742,000), respectively and the current tax assets and current tax liabilities were HK$1,939,000 (2023: HK$1,595,000) and HK$9,497,000 (2023: HK$23,894,000) respectively.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of intangible assets

Determining whether goodwill and trademark are impaired requires an estimation of the recoverable amount of the relevant cash-generating units to which goodwill and trademark have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill relating to the wholesale and distribution of toys primarily in the US region (note 21) as at 31 December 2024 was HK$Nil (2023: HK$41,822,000) after an accumulative impairment loss of HK$132,822,000 (2023: HK$91,000,000) was recognised. Details of the impairment loss calculation are set out in note 21 to the consolidated financial statements.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2024 was HK$81,283,000 (2023: HK$119,518,000) and HK$38,995,000 (2023: HK$214,462,000), respectively after an impairment loss on property, plant and equipment of HK$13,041,000 (2023: HK$13,000,000) and an impairment loss on right-of-use assets of HK$38,284,000 (2023: HK$Nil) recognised during the current year.

(iii) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

As at 31 December 2024, the carrying amount of inventories were HK$307,751,000 (2023: HK$189,275,000)

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Impairment of trade and bills receivables

The Group's management determines the provision for impairment of trade and bills receivables on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historically observed default rates over the expected lives of the trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

As at 31 December 2024, the carrying amount of trade and bills receivables was HK$77,591,000 (net of allowance for doubtful debts of HK$7,191,000) (2023: HK$113,521,000 (net of allowance for doubtful debts of HK$5,556,000)).

(v) Impairment of deposits paid for acquisition of an subsidiary

Management estimated the recoverable amount of the Group's deposits paid for acquisition of a subsidiary based on the fair value of the land plots to be obtained by such target company. Independent external valuations were obtained in order to support management's estimates of the fair value less cost of disposal of the land plots. The valuations are dependent on certain key assumptions that require significant management judgments including the adjustment factors used on comparable properties. Any changes to these adjustment factors would result in further impairment losses.

As at 31 December 2024, the carrying amount of deposits paid for acquisition of a subsidiary was HK$105,099,000 (2023: HK$114,847,000).

6. FINANCIAL RISK MANAGEMENT

(a) Foreign currency risk

The Group is exposed to currency risk primarily through receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollar ("US$") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to the currency risk arising from recognised assets or liabilities denominated in US$ and RMB other than the functional currency of the entity to which they relate:

	Exposure to foreign currencies			
	Assets		**Liabilities**	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
US$	**51,180**	148,141	**33,185**	26,803
RMB	**156**	158	**1,036**	3,347
	51,336	148,299	**34,221**	30,150

Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

		2024		2023	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in loss after tax HK$'000**	**Increase/ (decrease) in retained earnings HK$'000**	Increase/ (decrease) in loss after tax HK$'000	Increase/ (decrease) in retained earnings HK$'000
US$	0.5%	**(90)**	**90**	(607)	607
	(0.5%)	**90**	**(90)**	607	(607)
RMB	5%	**44**	**(44)**	159	(159)
	(5%)	**(44)**	**44**	(159)	159

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the respective notes to the consolidated financial statements. The Group's exposure to credit risk is mainly related to its contractual cash flows of trade receivables, deposits and other receivables, and bank balances.

The Group's bank deposits are placed with banks and financial institutions which are highly reputable with multinational presences. Investment transactions are executed with financial institutions with sound credit ratings and the Group does not expect any significant counterparty risk. The directors of the Company do not expect any losses from nonperformance by these banks and financial institutions as they have no default history in the past.

For trade and bills receivables

The Group measures loss allowances for trade and bills receivable at an amount equal to lifetime ECLs which is calculated using a provision matrix. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors of the Company have delegated a team to be responsible for the determination of credit limited and credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Individual credit evaluation is performed on all customers balances requiring credit over a certain amount, and using a collective assessment for the remaining balances. These evaluations focus on the customer's past history of making payment when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

As at 31 December 2024, the Group had concentration of credit risk on trade and bills receivables as 64% (2023: 75%) of its trade and bills receivables were due from the five largest customers.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade and bills receivables (Continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade and bills receivables at 31 December 2024:

	Current HK$'000	Not more than 90 days past due HK$'000	More than 90 days past due HK$'000	Total HK$'000
At 31 December 2024				
Gross carrying amount				
– Individually assessed				
• Company A	11,932	3,146	566	15,644
• Company B	6,932	–	337	7,269
• Company C	5,907	–	199	6,106
• Company D	21,134	1,938	33	23,105
	45,905	5,084	1,135	52,124
– Collectively assessed	18,276	8,501	1,022	27,799
– Specifically assessed	–	–	4,859	4,859
Total	64,181	13,585	7,016	84,782
Expected loss rate				
– Individually assessed				
• Company A	0.10%	0.20%	0.34%	
• Company B	0.08%	0.18%	0.35%	
• Company C	0.06%	0.13%	0.17%	
• Company D	0.02%	0.03%	0.14%	
– Collectively assessed	3.90%	9.60%	75.00%	
– Specifically assessed	–	–	100.00%	
Loss allowance				
– Individually assessed				
• Company A	(12)	(6)	(2)	(20)
• Company B	(6)	–	(1)	(7)
• Company C	(4)	–	(1)	(5)
• Company D	(4)	(1)	–	(5)
	(26)	(7)	(4)	(37)
– Collectively assessed	(712)	(816)	(767)	(2,295)
– Specifically assessed	–	–	(4,859)	(4,859)
Total	(738)	(823)	(5,630)	(7,191)

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade and bills receivables (Continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade and bills receivables at 31 December 2023:

	Current HK$'000	Not more than 90 days past due HK$'000	More than 90 days past due HK$'000	Total HK$'000
At 31 December 2023				
Gross carrying amount				
– Individually assessed				
• Company A	22,273	5,465	401	28,139
• Company B	9,326	–	–	9,326
• Company C	–	–	–	–
• Company D	39,518	355	–	39,873
	71,117	5,820	401	77,338
– Collectively assessed	26,795	7,702	3,684	38,181
– Specifically assessed	–	–	3,558	3,558
Total	97,912	13,522	7,643	119,077
Expected loss rate				
– Individually assessed				
• Company A	0.11%	0.53%	0.78%	
• Company B	0.11%	0.53%	0.78%	
• Company C	–	–	–	
• Company D	0.02%	0.21%	0.34%	
– Collectively assessed	2.65%	9.26%	13.57%	
– Specifically assessed	–	–	100.00%	
Loss allowance				
– Individually assessed				
• Company A	(24)	(29)	(3)	(56)
• Company B	(10)	–	–	(10)
• Company C	–	–	–	–
• Company D	(8)	(1)	–	(9)
	(42)	(30)	(3)	(75)
– Collectively assessed	(710)	(713)	(500)	(1,923)
– Specifically assessed	–	–	(3,558)	(3,558)
Total	(752)	(743)	(4,061)	(5,556)

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade and bills receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (individually and collectively assessment – not credit-impaired) HK$'000	Lifetime ECL (Specifically assessment – credit-impaired) HK$'000	Total HK$'000
At 1 January 2023	1,315	2,333	3,648
Transfer to credit impaired	(1,225)	1,225	–
Write-off	(90)	–	(90)
New financial assets originated	1,998	–	1,998
At 31 December 2023 and 1 January 2024	**1,998**	**3,558**	**5,556**
Transfer to credit impaired	**(1,363)**	**1,363**	**–**
Write-off	**–**	**(62)**	**(62)**
New financial assets originated	**1,738**	**–**	**1,738**
Exchange differences	**(41)**	**–**	**(41)**
At 31 December 2024	**2,332**	**4,859**	**7,191**

Other financial assets at amortised costs

The Group applies the expected credit loss model on other financial assets at amortised cost. Impairment loss on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Management considered, among other factors, analysed historical pattern and concluded that the expected credit loss for other financial assets at amortised cost to be immaterial as the credit risk is assessed as low.

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year or on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2024						
Trade payables	**27,007**	**–**	**–**	**–**	**27,007**	**27,007**
Accruals and other payables	**77,421**	**–**	**–**	**–**	**77,421**	**77,421**
Amount due to a director	**2,904**	**–**	**–**	**–**	**2,904**	**2,904**
Bank borrowings *(note)*	**5,323**	**–**	**–**	**–**	**5,323**	**5,242**
Lease liabilities	**15,356**	**13,439**	**37,906**	**43,303**	**110,004**	**72,298**
	128,011	**13,439**	**37,906**	**43,303**	**222,659**	**184,872**
At 31 December 2023						
Trade payables	30,305	–	–	–	30,305	30,305
Accruals and other payables	71,105	–	–	–	71,105	71,105
Bank borrowings *(note)*	2,096	2,485	–	–	4,581	4,234
Lease liabilities	17,373	5,536	9,253	46,801	78,963	45,369
	120,879	8,021	9,253	46,801	184,954	151,013

Note: Bank borrowings with a repayment on demand clause are included in the "less than 1 year or on demand" and "between 1 to 2 years" time bands in the above maturity analysis. As at 31 December 2024 and 2023, the total undiscounted principal amounts of these bank borrowings amounted to approximately HK$5,242,000 and HK$4,234,000 respectively. The directors of the Company do not believe it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group's main interest rate risk arises from bank borrowings, bank deposits and cash at bank with variable rate, which expose the Group to cash flow interest rate risk. The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's fair value interest rate risks is mainly arising from fixed bank deposits which bear interests at fixed interest rates.

Bank borrowings, bank deposits and cash at bank are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank borrowings and bank deposits are insignificant.

(e) Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets:		
Financial assets at amortised cost		
Trade and bills receivables	**77,591**	113,521
Rental and other deposits	**7,184**	11,608
Other receivables	**3,054**	4,586
Fixed bank deposits with maturity over three months	**899**	–
Bank and cash balances	**56,834**	181,202
	145,562	310,917
Financial liabilities:		
Financial liabilities at amortised cost		
Trade payables	**27,007**	30,305
Accruals and other payables	**77,421**	71,105
Bank borrowings	**5,242**	4,234
Lease liabilities	**72,298**	45,369
Amount due to a director	**2,904**	–
	184,872	151,013

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(g) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the owners through the optimisation of the debt and equity balance.

The Group regards total equity as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using gearing ratio, which is total debts divided by total equity. The Group's policy is to maintain the gearing ratio at an appropriate level.

	2024 **HK$'000**	2023 HK$'000
Total debts		
Bank borrowings	**5,242**	4,234
Lease liabilities	**72,298**	45,369
Amount due to a director	**2,904**	–
	80,444	49,603
Total equity	**494,562**	851,230
Gearing ratio	**16.3%**	5.8%

7. REVENUE

(a) Disaggregation of revenue

	2024 HK$'000	2023 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major product lines:		
– Manufacturing and trading of toys	**439,957**	692,149
– Manufacturing and trading of lighting products	**16,902**	22,337
	456,859	714,486
Timing of recognition:		
– At a point in time	**456,859**	714,486

(b) Performance obligations

Revenue from sales of toys and lighting products is recognised when control of the products has transferred, being when the products have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the products has been transferred to the customers and the customers have obtained control on the products through their ability to direct other use of and obtain substantially all the benefits from the products. The normal credit term is 30 to 90 days upon delivery.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has no revenue contract that has an original expected duration of more than one year, thus management applied practical expedient under HKFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligation that is unsatisfied or partially satisfied as at the end of the reporting period.

(d) Revenue recognised in relation to contract liabilities

	2024 HK$'000	2023 HK$'000
The amount of revenue recognised during the year included in contract liabilities at the beginning of the year	**652**	2,549

8. SEGMENT INFORMATION

The operating segments of the Group are determined based on information reported to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and performance assessment. The executive directors consider the business from a product and service perspective. During the year ended 31 December 2024, the executive directors considered that the Group principally engaged in two different operating and reportable segments which are subjected to different business risks and different economic characteristics and changed its internal reporting structure. The Group now grouping the toys and lighting operating segment which is previously determined based on geographic location of customers into a single reportable operating segment of manufacturing, the corresponding information for the year ended 31 December 2023 was restated accordingly. The two reportable operating segments are as follows:

Manufacturing	–	Manufacture and sales of toys and lighting products
Property development	–	Development of properties for sale

The executive directors of the Company considered the operating activities of manufacturing and trading of toys and lighting products as a single operating segment.

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

- Segment profits or losses do not include other income, other gains and losses, central administrative costs, directors' emoluments, finance costs and income taxes;
- Segment assets do not include deferred tax assets, current tax assets and other corporate assets which are managed on a central basis; and
- Segment liabilities do not include deferred tax liabilities, current tax liabilities and other corporate liabilities.

8. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results:

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2024

	Manufacturing HK$'000	Property development HK$'000	Consolidated HK$'000
Revenue from external customers	**456,859**	**–**	**456,859**
Segment results	**(251,386)**	**–**	**(251,386)**
Unallocated other income (Note 9)			**11,319**
Unallocated other gains or losses (Note 10)			**4,559**
Unallocated corporate expenses			**(35,969)**
Finance costs			**(4,473)**
Loss before tax			**(275,950)**

For the year ended 31 December 2023 (restated)

	Manufacturing HK$'000	Property development HK$'000	Consolidated HK$'000
Revenue from external customers	714,486	–	714,486
Segment results	(88,953)	–	(88,953)
Unallocated other income (Note 9)			26,652
Unallocated other gains or losses (Note 10)			10,445
Unallocated corporate expenses			(42,971)
Finance costs			(3,801)
Loss before tax			(98,628)

8. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities:

The followings is an analysis of the Group's assets and liabilities by operating and reportable segment:

At 31 December 2024

	Manufacturing HK$'000	Property development HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	435,715	253,682	689,397
Unallocated assets			
– Current tax assets			1,939
– Other corporate assets			2,825
Total assets			694,161
LIABILITIES			
Segment liabilities	187,377	7	187,384
Unallocated liabilities			
– Deferred tax liabilities			1,759
– Current tax liabilities			9,497
– Other corporate liabilities			959
Total liabilities			199,599

8. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities: (Continued)

The followings is an analysis of the Group's assets and liabilities by operating and reportable segment: (Continued)

At 31 December 2023 (restated)

	Manufacturing HK$'000	Property development HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	697,855	–	697,855
Unallocated assets			
– Deferred tax assets			23,405
– Right-of-use assets			165,465
– Deposits paid for acquisition of a subsidiary			114,847
– Current tax assets			1,595
– Other corporate assets			28,189
Total assets			1,031,356
LIABILITIES			
Segment liabilities	150,104	–	150,104
Unallocated liabilities			
– Deferred tax liabilities			1,742
– Current tax liabilities			23,894
– Other corporate liabilities			4,386
Total liabilities			180,126

8. SEGMENT INFORMATION (Continued)

(c) Geographical information:

The Group's operations are located in Hong Kong, Vietnam, The United states of America, Canada, Europe, the PRC, Australia, Mexico and other countries.

Information about the Group's revenue is presented on the geographical locations of the customers and information about the Group's non-current assets is presented based on the geographical locations of the assets:

	Revenue from external customers		Non-current assets	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Hong Kong (place of domicile)	**–**	–	**754**	1,338
Vietnam	**–**	–	**184,334**	378,827
The United States of America	**282,349**	483,592	**12**	58,149
The PRC	**–**	–	**28,748**	34,526
Europe	**73,700**	88,384	**10,202**	1,354
Canada	**42,026**	66,298	**–**	858
Australia	**29,320**	36,046	**1,327**	15,597
South America	**10,699**	13,414	**–**	–
Mexico	**7,959**	11,349	**–**	–
Other countries	**10,806**	15,403	**–**	–
	456,859	714,486	**224,623**	489,311
	456,859	714,486	**225,377**	490,649

Note: The above non-current assets excluded deferred tax assets and rental and other deposits.

(d) Information about major customers:

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2024 HK$'000	2023 HK$'000
Customer A	**149,896**	253,538
Customer B	**69,945**	80,805

The above revenue was derived from sales of toys from the manufacturing segment.

8. SEGMENT INFORMATION (Continued)

(e) Other information:

The following is an analysis of the Group's other information by operating and reportable segments:

For the year ended 31 December 2024

	Manufacturing HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation and amortisation	**43,862**	**–**	**9,071**	**52,933**
Additions to non-current assets	**61,545**	**–**	**11,214**	**72,759**
Impairment loss on intangible assets	**41,822**	**–**	**–**	**41,822**
Impairment loss on property, plant and equipment	**10,349**	**–**	**2,692**	**13,041**
Impairment loss on financial assets	**1,738**	**–**	**–**	**1,738**
Impairment loss on right-of-use assets	**38,284**	**–**	**–**	**38,284**
Reversal of written down of inventories	**(1,015)**	**–**	**–**	**(1,015)**

For the year ended 31 December 2023 (restated)

	Manufacturing HK$'000	Property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation and amortisation	47,156	–	11,204	58,360
Additions to non-current assets	12,613	–	7,359	19,972
Impairment loss on intangible assets	55,000	–	–	55,000
Impairment loss on property, plant and equipment	10,000	–	3,000	13,000
Reversal of impairment loss on deposits paid for acquisition of a subsidiary	–	–	(11,000)	(11,000)
Impairment loss on financial assets	1,998	–	–	1,998
Written down of inventories	23,230	–	–	23,230

9. OTHER INCOME

	2024 HK$'000	2023 HK$'000
Interest income on financial assets measured at amortised cost		
– Interest income on bank deposits	**1,106**	3,348
Income from subleasing of right-of-use assets	**3,526**	3,396
Royalty income	**29**	25
Prize money earned from horse racing	**5,300**	4,301
Others *(Note)*	**1,358**	15,582
	11,319	26,652

Note: During the year ended 31 December 2024, the prize money earned from horse racing included prize money of AUD472,000 (equivalent to HK$2,440,000 earned from horse racing from racehorses borrowed from a related party by a wholly-owned subsidiary ("Subsidiary Y") of the Company. For the year ended 31 December 2023, the prize money of AUD2,876,000 (equivalent to HK$15,245,000) earned from the racehorses borrowed from the related party were classified as prize money earned from horses racing management services and included in the line item as "Others", the details of which are set out in note 38 to the consolidated financial statements. The net prize money of approximately AUD2,387,000 (equivalent to HK$12,651,000) (net of GST and fees deducted by the horse racing authority) was deposited into Subsidiary Y's bank account. In September 2024, the Group ceased to borrow the racehorses from the related party and no more prize money was earned since then.

10. OTHER GAINS AND LOSSES

	2024 HK$'000	2023 HK$'000
(Loss)/gain on disposal of property, plant and equipment	**(322)**	435
Net foreign exchange losses	**(8,317)**	(990)
Gain on dissolution of a subsidiary *(Note)*	**13,000**	–
Reversal of impairment loss on deposits paid for acquisition of a subsidiary	**–**	11,000
Gain on early termination of a lease	**198**	–
	4,559	10,445

Note: At the date of dissolution of a subsidiary, the net liabilities of the subsidiary comprised of a tax provision amounting to HK$13,000,000. Following the completion of the dissolution process, in a gain of HK$13,000,000 was recognised.

11. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest expense on bank borrowings	220	384
Interest expense on lease liabilities	4,253	3,417
Interest on financial liabilities not at fair value through profit or loss	4,473	3,801

12. INCOME TAX EXPENSE

	2024 HK$'000	2023 HK$'000
Current tax		
– Hong Kong	–	–
– Other jurisdictions		
Provision for the year	686	168
(Over)/under provision in prior years	(1,397)	1,824
	(711)	1,992
Deferred tax	23,492	2,320
	22,781	4,312

Under the two-tiered profits tax regime in Hong Kong, the first HK$2 million of assessable profits of qualifying group entity will be taxed at 8.25%, and profits above that amount will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profits for the year ended 31 December 2024 and the Group has sufficient tax losses brought forward to set off against assessable profits for the year ended 31 December 2023.

Vietnam enterprise income tax has been provided at 10% to 20% (2023: 10% to 20%) for subsidiaries operating in Vietnam for the year ended 31 December 2024.

12. INCOME TAX EXPENSE (Continued)

Income tax for subsidiaries operating in the US has been provided based on the US federal tax rate of 21% (2023: 21%) and the applicable US state tax rate for the year ended 31 December 2024.

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

The income tax expense for the year can be reconciled to the loss before tax as follows:

	2024 **HK$'000**	2023 HK$'000
Loss before tax	**(275,950)**	(98,628)
Tax calculated at domestic rates applicable in the respective jurisdictions	**(48,870)**	(8,199)
Tax effect of income that is not taxable	**(3,939)**	(4,219)
Tax effect of expenses that are not deductible	**21,190**	11,732
Tax effect of tax losses not recognised	**27,551**	4,940
Utilisation of tax losses previously recognised	**–**	(1,671)
Utilisation of tax losses previously not recognised	**(285)**	(897)
(Over)/under provisions in prior years	**(1,397)**	1,824
Tax effect of temporary differences not recognised	**28,531**	802
Income tax expense	**22,781**	4,312

13. LOSS FOR THE YEAR

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

	2024 HK$'000	2023 HK$'000
Auditor's remuneration		
– Audit services	**3,546**	3,851
– Non-audit services	**75**	1,074
Cost of inventories sold	**304,493**	405,806
(Reversal of written down)/written down of inventories	**(1,015)**	23,230
Depreciation of property, plant and equipment	**31,612**	37,109
Depreciation of right-of-use assets	**21,321**	21,251
Impairment loss on intangible assets	**41,822**	55,000
Impairment loss on right-of-use assets	**38,284**	–
Impairment loss on property, plant and equipment	**13,041**	13,000
Impairment loss on financial assets	**1,738**	1,998
Royalty expenses (included in distribution and selling expenses)	**43,286**	60,718
Research and development costs recognised as expenses	**3,666**	20,237

Note: Cost of inventories sold includes HK$88,667,000 (2023: HK$133,516,000) relating to staff costs, depreciation expenses and reversal of written-down/written down of inventories, which amount is also included in the respective total amounts disclosed separately for each of their types of expenses.

14. EMPLOYEE BENEFITS EXPENSES

	2024 HK$'000	2023 HK$'000
Employee benefits expenses (including directors' emoluments)		
Salaries, bonuses and allowances	**193,388**	185,377
Retirement benefit scheme contributions	**2,871**	3,090
Staff welfare	**7,968**	10,465
	204,227	198,932

14. EMPLOYEE BENEFITS EXPENSES (Continued)

Five highest paid individuals:

The five highest paid individuals in the Group during the year included two (2023: one) directors whose emoluments are disclosed in note 15. The emoluments of the remaining three (2023: four) individuals are set out below:

	2024 HK$'000	2023 HK$'000
Salaries, bonuses and allowances	8,928	12,731
Retirement benefit scheme contributions	259	366
	9,187	13,097

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2024	2023
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	3	2
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	1

During the year, no amount was paid or payable by the Group to the directors or any of the highest paid individuals set out above as an inducement to join or upon joining the Group or as compensation for loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Fee HK$'000	Salary HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2024				
Executive directors				
Cheng Yung Pun	**–**	**516**	**–**	**516**
Shirley Marie Price *(note i)*	**–**	**3,900**	**135**	**4,035**
Cheng King Cheung	**–**	**2,405**	**148**	**2,553**
Yip Hiu Har *(note ii)*	**–**	**3,250**	**18**	**3,268**
Independent non-executive directors				
Loke Yu alias Loke Hoi Lam *(note v)*	**110**	**–**	**–**	**110**
Mak Shiu Chung, Godfrey	**110**	**–**	**–**	**110**
Heng Ja Wei, Victor	**110**	**–**	**–**	**110**
Chui Ka Hing	**110**	**–**	**–**	**110**
Total	**440**	**10,071**	**301**	**10,812**
For the year ended 31 December 2023				
Executive directors				
Cheng Yung Pun	–	1,119	–	1,119
Tse Kam Wah *(note iii)*	–	1,423	–	1,423
Tsang Chung Wa *(note iv)*	–	1,015	17	1,032
Cheng King Cheung	–	2,413	137	2,550
Yip Hiu Har *(note ii)*	–	3,250	18	3,268
Independent non-executive directors				
Loke Yu alias Loke Hoi Lam *(note v)*	110	–	–	110
Mak Shiu Chung, Godfrey	110	–	–	110
Heng Ja Wei, Victor	110	–	–	110
Chui Ka Hing	83	–	–	83
Total	413	9,220	172	9,805

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Note i: Appointed with effective from 12 March 2024.

Note ii: Yip Hiu Har is also a chief executive officer (CEO) of the Company.

Note iii: Resigned with effect from 1 December 2023.

Note iv: Resigned with effect from 6 December 2023.

Note v: Resigned with effect from 17 March 2025.

None of the directors waived any emoluments during the year (2023: HK$ Nil).

(b) Directors' material interests in transactions, arrangements or contracts

Other than those related party transactions and balances disclosed in note 38 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2023: HK$ Nil).

(c) Director's termination benefits

None of the directors of the Company received any termination benefits during the year ended 31 December 2024 (2023: HK$ Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2024, the Company did not pay considerations to any third parties for making available directors' services (2023: HK$ Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

As at 31 December 2024, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and the directors' connected entities (2023: HK$ Nil).

16. RETIREMENT BENEFITS – DEFINED CONTRIBUTION PLANS

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments ("LSP") in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to mandatory provident fund ("MPF") scheme or Occupational Retirement Schemes Ordinance ("ORSO") plan, with an overall cap of HK$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The abolition will officially take effect on the transition date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the transition date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the transition date can continue to be applied to offset the pre-transition date LSP obligation but are not eligible to offset the post-transition date LSP obligation. On the other hand, the accrued benefits derived from the Group's voluntary contributions made pre-, on or post-transition can continue to be used to offset pre- and post-transition LSP. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP liability with respect to Hong Kong employees that participate in MPF Scheme. The Amendment Ordinance has no material impact on the Group's LSP liability with respect to employees that participate in the Group's ORSO plans.

Eligible employees in Macau currently participate in a social security fund scheme operated by the local government. The contributions are fixed for domestic employees who meet certain eligibility requirements.

Eligible employees in Vietnam currently participate in a defined contribution pension scheme operated by the local municipal government. The calculation of contributions is based on certain percentage of the employees' payroll.

There are defined contribution retirement plans established in the United States for all domestic employees who meet certain eligibility requirements as to age and length of service.

17. DIVIDENDS

	2024 **HK$'000**	2023 HK$'000
Dividends approved and paid:		
– 2023 second interim (HK3 cents per share)	**22,686**	–
– 2024 interim (HK1.5 cents per share)	**11,343**	–
– 2022 final (HK8 cents per share)	**–**	60,496
– 2023 interim (HK2 cents per share)	**–**	15,124
	34,029	75,620

Subsequent to the end of the reporting period, the Board proposed a final dividend in respect of the year ended 31 December 2024 of HK1 cent per share.

18. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2024 **HK$'000**	2023 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**(298,573)**	(102,604)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**756,203,000**	756,203,000

Diluted loss per share is equal to the basic loss per share as the Company does not have any diluted potential ordinary shares outstanding during both years.

19. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Others HK$'000 (note)	Total HK$'000
Cost							
At 1 January 2023	150,603	21,583	245,517	154,267	4,614	63,091	639,675
Additions	1,685	125	2,023	–	853	13,360	18,046
Disposals	–	–	(4,694)	–	–	(10,272)	(14,966)
Exchange differences	(2,742)	35	(5,978)	–	(532)	(864)	(10,081)
At 31 December 2023 and 1 January 2024	**149,546**	**21,743**	**236,868**	**154,267**	**4,935**	**65,315**	**632,674**
Additions	**4,113**	**521**	**888**	**–**	**581**	**18,921**	**25,024**
Disposals	**(274)**	**(11,995)**	**(19,372)**	**(379)**	**–**	**(40,841)**	**(72,861)**
Reclassification	**1,335**	**–**	**–**	**–**	**(1,335)**	**–**	**–**
Exchange differences	**(7,472)**	**(101)**	**(11,363)**	**–**	**(158)**	**(3,728)**	**(22,822)**
At 31 December 2024	**147,248**	**10,168**	**207,021**	**153,888**	**4,023**	**39,667**	**562,015**
Accumulated depreciation and impairment loss							
At 1 January 2023	73,413	17,511	192,727	153,888	–	46,255	483,794
Charge for the year	5,696	617	18,237	–	–	12,559	37,109
Impairment loss for the year	10,000	–	–	–	3,000	–	13,000
Disposals	–	–	(4,752)	–	–	(9,817)	(14,569)
Exchange differences	(1,331)	14	(5,004)	–	–	143	(6,178)
At 31 December 2023 and 1 January 2024	**87,778**	**18,142**	**201,208**	**153,888**	**3,000**	**49,140**	**513,156**
Charge for the year	**4,892**	**551**	**17,207**	**–**	**–**	**8,962**	**31,612**
Impairment loss for the year	**–**	**1,485**	**–**	**–**	**–**	**11,556**	**13,041**
Disposals	**(256)**	**(11,199)**	**(18,291)**	**–**	**–**	**(31,264)**	**(61,010)**
Exchange differences	**(3,140)**	**(79)**	**(9,461)**	**–**	**(21)**	**(3,366)**	**(16,067)**
At 31 December 2024	**89,274**	**8,900**	**190,663**	**153,888**	**2,979**	**35,028**	**480,732**
Carrying amount							
At 31 December 2024	**57,974**	**1,268**	**16,358**	**–**	**1,044**	**4,639**	**81,283**
At 31 December 2023	61,768	3,601	35,660	379	1,935	16,175	119,518

Note: As at 31 December 2023, others included tooling equipment, containers, motor vehicles, furniture and fixtures and livestocks (which do not involve biological transformation for sale). Following the disposals of the livestocks as detailed in note 38(ii) to the consolidated financial statements, others consist of the tool equipment, containers, motor vehicles and furniture and fixtures as at 31 December 2024.

20. RIGHT-OF-USE ASSETS

	Leasehold land and land use rights HK$'000	Leased properties HK$'000	Office equipment HK$'000	Total HK$'000
At 1 January 2023	180,546	54,907	173	235,626
Additions	–	1,926	–	1,926
Depreciation	(4,809)	(16,267)	(175)	(21,251)
Exchange differences	(1,319)	(522)	2	(1,839)
At 31 December 2023 and 1 January 2024	**174,418**	**40,044**	**–**	**214,462**
Additions	**–**	**47,735**	**–**	**47,735**
Depreciation	**(4,594)**	**(16,727)**	**–**	**(21,321)**
Termination of leases	**–**	**(802)**	**–**	**(802)**
Impairment loss	**–**	**(38,284)**	**–**	**(38,284)**
Reclassified to inventories *(note 23)*	**(147,578)**	**–**	**–**	**(147,578)**
Exchange differences	**(13,747)**	**(1,470)**	**–**	**(15,217)**
At 31 December 2024	**8,499**	**30,496**	**–**	**38,995**

	2024 HK$'000	2023 HK$'000
Depreciation expenses on right-of-use assets *(note 13)*	**21,321**	21,251
Interest expense on lease liabilities (included in finance cost) *(note 11)*	**4,253**	3,417
Expenses relating to short-term leases	**11,891**	7,599
Total cash outflow for leases	**33,453**	29,206

For both years, the Group had leased properties and leased office equipment for its operations. Lease contracts are entered into for fixed term of 1 to 50 years (2023: 1 to 50 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

21. INTANGIBLE ASSETS

	Goodwill HK$'000 *(note (c)&(d))*	Patents HK$'000	Trademarks HK$'000 *(note (b))*	TV programs HK$'000	Total HK$'000
Cost					
At 1 January 2023					
As reported	101,323	14,630	9,278	68,489	193,720
Adjustment *(note (a))*	36,000	–	–	–	36,000
As restated	137,323	14,630	9,278	68,489	229,720
Exchange differences	–	–	–	–	–
At 31 December 2023 and 1 January 2024	**137,323**	**14,630**	**9,278**	**68,489**	**229,720**
Written off	**–**	**(4,877)**	**–**	**(68,489)**	**(73,366)**
At 31 December 2024	**137,323**	**9,753**	**9,278**	**–**	**156,354**
Accumulated depreciation and impairment loss					
At 1 January 2023					
As reported	4,501	14,630	9,278	68,489	96,898
Adjustment *(note (a))*	36,000	–	–	–	36,000
As restated	40,501	14,630	9,278	68,489	132,898
Impairment loss for the year	55,000	–	–	–	55,000
At 31 December 2023 and 1 January 2024	**95,501**	**14,630**	**9,278**	**68,489**	**187,898**
Written off	**–**	**(4,877)**	**–**	**(68,489)**	**(73,366)**
Impairment loss for the year	**41,822**	**–**	**–**	**–**	**41,822**
At 31 December 2024	**137,323**	**9,753**	**9,278**	**–**	**156,354**
Carrying amount					
At 31 December 2024	**–**	**–**	**–**	**–**	**–**
At 31 December 2023	41,822	–	–	–	41,822

Notes:

(a) This represents the representation of cost of goodwill and impairment loss net off with each other in the previous years.

(b) The trademarks acquired through a business combination during the year ended 31 December 2017 has a legal life of 10 years but is renewable every 10 years at a minimal cost. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and without any difficulties. As a result the trademark is considered by the directors of the Group as having an indefinite useful life because it is expected to contribute to net cash inflow indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

21. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(c) Impairment tests for goodwill of toys business

Goodwill with cost of HK$132,822,000 (2023: HK$132,822,000) was mainly allocated to a cash-generating unit in the toys business in the United States market related to the acquisition of Funrise Holdings, LLC, Funrise, Inc. and Code 3 Collectibles LLC in 2007 ("CGU A"). The Group performs impairment test on goodwill annually, or more frequently if there is any indication that it may be impaired, by comparing the recoverable amount to the carrying amount as at the date of the consolidated statement of financial position.

The recoverable amount of the CGU A has been determined based on a value in use calculation. The calculation uses cash flow forecast projections based on financial budgets approved by management covering a five-year period.

The following table set out the key assumptions used in the value in use calculation:

	2024	2023
Revenue growth rate	**5% to 37%**	-22% to 6%
Budgeted gross margin	**43% to 46%**	48%
Long-term growth rate	**3%**	2.5%
Pre-tax discount rate	**11.5%**	16.5%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine values**
Revenue	Based on past performance and management's expectation of roll-out of new products and market trend. The growth rate of 37% anticipated for the first year is primarily attributable to confirmed orders on hand and the expected demand from a long-standing customer.
Budgeted gross margin	Based on past performance and management's expectation for the future.
Long-term growth rate	This is the growth rate used to extrapolate cash flows beyond the five-year period and the rate is consistent with the market research.
Pre-tax discount rate	Reflect specific risk relating to the relevant operating unit. The decrease in discount rate is attributable to the decrease in market risk premium and company-specific risk premium.

Based on the value in use calculation, the recoverable amount is lower than the carrying amount of CGU A, and thus impairment losses were made on the related assets of the CGU A as follows:

	2024 **HK$'000**	2023 HK$'000
Impairment loss on goodwill	**41,822**	55,000
Impairment loss on property, plant and equipment	**10,349**	–
Impairment loss on right-of-use assets	**38,284**	–
	90,455	55,000

At 31 December 2024, the directors of the Company considered a reasonably possible change in key assumptions mentioned above would not cause further impairment losses on the related assets of the CGU A.

21. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

(d) Impairment tests for goodwill and trademark of the lighting business

Goodwill with cost of HK$4,501,000 (2023: HK$4,501,000) and trademark with cost of HK$9,278,000 (2023: HK$9,278,000) were allocated to the Group's cash-generating unit in the design, manufacturing, marketing and distribution of energy efficient lighting products related to the acquisition of Fern-Howard Limited ("CGU B"). The Group performs impairment tests on goodwill and trademark annually, or more frequently if there is any indication that it may be impaired, by comparing the recoverable amount to the carrying amount as at the date of the consolidated statement of financial position.

Full impairment provision was recognised against CGU B during the year ended 31 December 2022. The recoverable amount of the CGU B has been determined based on a value in use calculation. The calculation uses cash flow forecast projections based on financial budgets approved by management covering a five-year period.

The management assessed that the actual performance of CGU B, along with recent market development, remained consistent with the Board's previously approved discounted cash flow projections. Therefore, the assumptions and inputs used in prior year were remained appropriate for estimating cash flows for the annual impairment test of CGU B as at 31 December 2024. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2% (2023: 2%). The pre-tax discount rate applied to the cash flow forecast is 21% (2023: 21%) reflecting the specific risks associated with the operating unit. The sales growth rate applied to cash flow forecast is ranged from 1% to 2% (2023: 1% to 2%).

Based on the value in use calculation, the recoverable amount of CGU B is lower than its carrying amount, no reversal of previously recognised impairment loss was recorded. At 31 December 2024, the carrying amounts of goodwill and trademark were HK$Nil (2023: HK$Nil), following the recognition of cumulative impairment losses of HK$4,501,000 and HK$9,278,000, respectively.

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ Registered capital	Percentage of ownership/ voting power/profit sharing held indirectly 2024	2023	Principal activities
Funrise, Inc.	The United States	US$7,500 common shares	**100%**	100%	Wholesale distribution and importation of toy and sales of accessories connected with its products ranges
Funrise Toys Limited	Hong Kong	HK$10,000 preference shares HK$90,000 ordinary shares HK$10,000 redeemable shares	**100%**	100%	Wholesale distribution and importation of toy and sales of accessories connected with its products ranges
Funrise Toys (HK) Limited	Hong Kong	HK$1,000 ordinary shares	**100%**	100%	Wholesale distribution and importation of toy and sales of accessories connected with its products ranges
Mega Management Services Limited	Hong Kong	HK$10 ordinary shares	**100%**	100%	Provision of management services
Javi Investment Joint Stock Company	Vietnam	VND160,000,000,000 ordinary shares	**100%**	100%	Property development
Keyhinge Enterprises (Macao Commercial Offshore) Company Limited	Samoa	US$1,000,000 ordinary shares	**100%**	100%	Purchase and trading of toys

22. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ Registered capital	Percentage of ownership/ voting power/profit sharing held indirectly		Principal activities
			2024	2023	
Matrix Manufacturing Vietnam Company Limited	Vietnam	US$14,960,000 contributed	**100%**	100%	Manufacture of toys and lighting products
Keyhinge Toys Vietnam Joint Stock Company	Vietnam	US$47,719,000 contributed legal capital	**100%**	100%	Manufacture of toys and lighting products and property development
Matrix Vinh Company Limited	Vietnam	US$4,849,000 contributed legal capital	**100%**	100%	Manufacture of toys
Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. *(note)*	PRC	US$5,910,000 registered capital	**100%**	100%	Manufacture of toys
Matrix Lighting Limited	BVI	US$10 ordinary shares	**100%**	100%	Trading of lighting products
Viribright Lighting Inc.	The United States	US$10,000 common shares of stock	**100%**	100%	Trading of lighting products
Fern-Howard Limited	The United Kingdom	GBP2,769,252 ordinary shares	**65%**	65%	Manufacturing and trading of lighting products

Note: A wholly foreign owned enterprise in the PRC.

23. INVENTORIES

	Notes	2024 HK$'000	2023 HK$'000
Property development			
Leasehold land held for development for sale	*(a)*	**147,578**	–
Manufacturing operations	*(b)*		
Raw materials		**65,302**	56,916
Work in progress		**38,930**	37,219
Finished goods		**55,941**	95,140
		160,173	189,275
		307,751	189,275

Notes:

(a) The properties expected to be completed after more than one year but within the normal operating cycle are classified as current assets.

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

	2024 HK$'000	2023 HK$'000
Carrying amount of inventories sold	**305,508**	382,576
(Reversal of write-down) write-down of inventories	**(1,015)**	23,230
	304,493	405,806

The reversal of write-down of inventories made in previous years upon utilisation, disposal or an increase in the estimated net realisable value of these inventories.

24. TRADE AND BILLS RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	**81,892**	119,077
Bills receivables	**2,890**	–
	84,782	119,077
Less: allowance for doubtful debts	**(7,191)**	(5,556)
	77,591	113,521

The bills receivables were discounted to a bank for bank borrowings granted to the Group as disclosed in note 29.

The Group allows a credit period ranged from 30 to 90 days to its customers. The aging analysis of trade and bills receivables based on the invoice date, and net of allowance is as follows:

	2024 HK$'000	2023 HK$'000
0 to 60 days	**53,338**	82,216
61 to 90 days	**8,146**	5,403
More than 90 days	**16,107**	25,902
	77,591	113,521

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

	2024 HK$'000	2023 HK$'000
At 1 January	**5,556**	3,648
Net impairment losses recognised for the year	**1,738**	1,998
Write-off	**(62)**	(90)
Exchange movement	**(41)**	–
At 31 December	**7,191**	5,556

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
(a) Included in non-current assets		
Deposits paid for acquisition of a subsidiary *(Note)*	**105,099**	114,847
Rental and other deposits	**4,474**	6,239
	109,573	121,086
(b) Included in current assets		
Prepayments	**6,243**	5,824
Value added tax refundable	**4,606**	7,125
Advance to suppliers	**2,683**	2,566
Rental and other deposits	**2,710**	5,369
Other receivables	**3,054**	4,586
	19,296	25,470

Note: On 27 July 2021, a wholly-owned subsidiary of the Company, Keyhinge Toys Vietnam Joint Stock Company ("KVN") entered into a master capital transfer agreement ("Master Agreement") with an individual (the "Vendor") for the proposed acquisition of a subsidiary, namely Kim Bao An Company Limited ("KBA"). Pursuant to the Master Agreement, the Vendor conditionally agreed to sell entire equity interests in KBA to KVN, subject to conditions precedent, for a total cash consideration of approximately VND356,950,000,000 (equivalent to approximately HK$114,847,000). Before completion, it is necessary for KBA to obtain the relevant land use rights of certain land plots in Danang City, Vietnam and the process of obtaining the land titles is still in progress.

During the year ended 31 December 2024, the Vendor disposed one of the non-core land plots and refunded certain deposits of approximately VND12,171,000,000 (equivalent to approximately HK$3,710,000) to KVN. Subsequent to the reporting period, the Vendor disposed of further non-core land plots at the aggregate consideration of VND54,900,000,000 (equivalent to approximately HK$16,470,000) and refunded a total of approximately VND26,628,000,000 (equivalent to approximately HK$7,989,000 to KVN up to the date of approval of these consolidated financial statements.

26. FIXED BANK DEPOSITS WITH MATURITY OVER THREE MONTHS, BANK AND CASH BALANCES

	2024 HK$'000	2023 HK$'000
Fixed bank deposits with maturity over three months	**899**	–
Bank and cash balances		
Cash on hand	**39**	80
Cash at bank	**56,795**	181,122
Total bank and cash balances	**56,834**	181,202

At 31 December 2024, the fixed bank deposits with maturity over three months bear interest at a fixed rate of 3.9% per annum while cash at bank carried interest at variable market rate ranging from 0.01% to 0.3% per annum (2023: ranging from 0.01% to 3.75% per annum).

27. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**27,007**	30,305
Accruals and other payables		
Accrued employee benefit expenses	**24,060**	24,940
Other payables and accruals	**53,361**	46,165
	77,421	71,105
	104,428	101,410

The aging analysis of trade payables presented based on the invoice date is as follows:

	2024 HK$'000	2023 HK$'000
0 to 60 days	**18,517**	25,252
61 to 90 days	**5,897**	2,006
More than 90 days	**2,593**	3,047
	27,007	30,305

28. CONTRACT LIABILITIES

	2024 HK$'000	2023 HK$'000
Billing in advance of performance obligation		
– Sales of toys	**3,382**	3,274
– Sales of lighting products	**89**	203
	3,471	3,477

Contract liabilities arise when the customers pay deposits before the Group transfers control of the goods to the customers. The contract liabilities are expected to be settled within one year.

Movements in contract liabilities:

	2024 HK$'000	2023 HK$'000
At 1 January	**3,477**	2,549
Decrease in contract liabilities as a result of recognising revenue during the year was included in contract liabilities at the beginning of the year	**(652)**	(2,549)
Increase in contract liabilities as a result of billing in advance of sales of toys and lighting products	**648**	3,477
Exchange difference	**(2)**	–
At 31 December	**3,471**	3,477

29. BANK BORROWINGS

	2024 HK$'000	2023 HK$'000
Bank loan	**2,352**	4,234
Bank borrowings from factoring of bills receivables	**2,890**	–
	5,242	4,234

29. BANK BORROWINGS (Continued)

The bank borrowings are repayable as follows:

	2024 HK$'000	2023 HK$'000
Within one year	**5,242**	1,852
More than one year, but not exceeding two years	**–**	2,382
	5,242	4,234
Less: Portion of bank borrowings due for repayment within one year	**(5,242)**	(1,852)
Portion of bank borrowings due for repayment after one year but contain a repayment on demand clause	**–**	(2,382)
Amount shown under non-current liabilities	**–**	–

As at 31 December 2024, the Group's bank borrowings of approximately HK$5,242,000 (2023: HK$4,234,000) are subject to variable interest rate of 1.75% (2023: 1.75%) per annum above the Hong Kong Interbank Offered Rate and secured by i) bills receivables of HK$2,890,000 and ii) guarantees provided by a subsidiary of the Group and the Company. As at 31 December 2024, the effective interest rates of the Group's bank borrowings was 5.95% (2023: 6.22%) per annum.

30. LEASE LIABILITIES

	2024 HK$'000	2023 HK$'000
Lease liabilities payable:		
Within one year	**10,552**	14,750
Between one to two years	**9,268**	3,450
Between two to five years	**29,382**	3,578
More than five years	**23,096**	23,591
	72,298	45,369
Less: Amounts due within one year shown under current liabilities	**(10,552)**	(14,749)
Amounts due after one year	**61,746**	30,620

31. DEFERRED TAX

The components of deferred tax (assets)/liabilities recognised and the movements during the year are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Allowance for doubtful debts HK$'000	Others HK$'000 *(note)*	Total HK$'000
At 1 January 2023	(783)	(1,232)	(109)	(22,355)	(24,479)
Credit to profit or loss for the year *(note 12)*	16	452	–	1,852	2,320
Exchange difference	–	–	–	496	496
At 31 December 2023 and 1 January 2024	**(767)**	**(780)**	**(109)**	**(20,007)**	**(21,663)**
Credit to profit or loss for the year *(note 12)*	**780**	**780**	**109**	**21,823**	**23,492**
Exchange difference	**(8)**	**–**	**–**	**(62)**	**(70)**
At 31 December 2024	**5**	**–**	**–**	**1,754**	**1,759**

Note: The amount mainly represents the temporary differences arising from research and development, accrued vacation and bonus in the subsidiaries operating in the United States.

Reflected in the consolidated statement of financial position as follows:

	2024 HK$'000	2023 HK$'000
Deferred tax assets	**–**	(23,405)
Deferred tax liabilities	**1,759**	1,742
	1,759	(21,663)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2024, the Group had unrecognised tax losses of approximately HK$574,130,000 (2023: HK$344,909,000) for which no deferred tax asset has been recognised due to unpredictability of future profit streams. Such tax losses may be carried forward against future taxable income indefinitely.

32. SHARE CAPITAL

	2024		2023	
	Number of shares	**Amount**	Number of shares	Amount
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**756,203**	**75,620**	756,203	75,620

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the years ended 31 December 2024 and 2023.

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	**2024** **HK$'000**	2023 HK$'000
Non-current assets			
Interests in subsidiaries		**230,694**	406,315
Amount due from a subsidiary		**399,755**	399,755
		630,449	806,070
Current assets			
Deposits and prepayments		**165**	190
Amounts due from subsidiaries		**133,695**	140,285
Cash and cash equivalents		**1,951**	3,816
		135,811	144,291
Current liabilities			
Other payables and accruals		**713**	1,433
Amounts due to subsidiaries		**314,700**	283,439
		315,413	284,872
Net current liabilities		**(179,602)**	(140,581)
NET ASSETS		**450,847**	665,489
Capital and reserves			
Share capital	*32*	**75,620**	75,620
Reserves	*34*	**375,227**	589,869
TOTAL EQUITY		**450,847**	665,489

Approved by the Board of Directors on 26 March 2025 and are signed on its behalf by:

Mr. Cheng Yung Pun *Director*	**Ms. Yip Hiu Har** *Director*

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000 *(note 33(b)(i))*	Shareholders' contribution HK$'000 *(note 33(b)(ii))*	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2023	189,090	19,689	3,661	456,585	669,025
Total comprehensive expense for the year	–	–	–	(3,536)	(3,536)
Dividend paid *(note 17)*	–	–	–	(75,620)	(75,620)
At 31 December 2023 and 1 January 2024	**189,090**	**19,689**	**3,661**	**377,429**	**589,869**
Total comprehensive expense for the year	**–**	**–**	**–**	**(180,613)**	**(180,613)**
Transferred to retained profits	**–**	**(19,689)**	**–**	**19,689**	**–**
Dividend paid *(note 17)*	**–**	**–**	**–**	**(34,029)**	**(34,029)**
At 31 December 2024	**189,090**	**–**	**3,661**	**182,476**	**375,227**

34. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Act 1981 of Bermuda (as amended), the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Shareholders' contribution

The shareholders' contribution represents the deemed contribution arising from the forfeiture of a loan from ultimate holding company which was non-current and interest-free, including the adjustment to imputed interest for the loan.

As at 31 December 2024, the shareholders' contribution was consolidated into retained profits pursuant to the resolution of the board of directors.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$	Bank borrowings HK$	Dividend payable (included in other payable) HK$	Amount due to a director HK$	Total HK$
At 1 January 2023	61,633	5,945	464	–	68,042
Addition	1,926	–	–	–	1,926
Cashflows	(21,607)	(2,095)	(75,620)	–	(99,322)
Interest expense	3,417	384	–	–	3,801
Dividend declared	–	–	75,620	–	75,620
At 31 December 2023 and 1 January 2024	**45,369**	**4,234**	**464**	**–**	**50,067**
Additions	**47,735**	**–**	**–**	**–**	**47,735**
Cashflows	**(21,562)**	**788**	**(34,029)**	**2,904**	**(51,899)**
Interest expense	**4,253**	**220**	**–**	**–**	**4,473**
Termination of leases	**(1,000)**	**–**	**–**	**–**	**(1,000)**
Dividends declared	**–**	**–**	**34,029**	**–**	**34,029**
Exchange difference	**(2,497)**	**–**	**–**	**–**	**(2,497)**
At 31 December 2024	**72,298**	**5,242**	**464**	**2,904**	**80,908**

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2024 HK$'000	2023 HK$'000
Within operating cash flows	**11,891**	7,599
Within financing cash flows	**21,562**	21,607

36. CAPITAL COMMITMENTS

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

	2024 HK$'000	2023 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**737**	780

37. OPERATING LEASE ARRANGEMENT

The Group as lessee

The Group regularly entered into short-term lease for office premises and office equipment. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 20 to the consolidated financial statements.

The Group as lessor

The Group had contracted with lessee for subletting warehouse under non-cancellable operating lease arrangements. Minimum lease payments receivables on lease on lease is as follows:

	2024 HK$'000	2023 HK$'000
Within one year	**294**	3,469
In the second year	**–**	294
Total	**294**	3,763

38. RELATED PARTIES TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries and other short-term employee benefits	**13,598**	12,311
Post-employment benefits	**319**	190
	13,917	12,501

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Other related party transactions

(i) During the year ended 31 December 2023, included in other income, there was horse racing prize money of approximately AUD2,876,000 (equivalent to approximately HK$15,245,000) (note 9) earned by Subsidiary Y representing consideration for management, day-to-day and training service provided by the Group to certain horses owned by a related company (the "Related Party"). The ultimate controlling shareholder of the Company, Mr. Cheng Yung Pun, is also the director of the Related Party. On 8 July 2024, the arrangement was reduced into writing and the Subsidiary Y entered into a horse lending agreement with the Related Party pursuant to which the Related Party shall lend its racehorses to the Subsidiary Y free of charge commencing from 1 January 2023. According to the legal opinion obtained by the Group, the prize money generated by the racehorses are not connected transaction with the Related Party. Therefore, the receipt of related racing prize money which was classified as a related party transaction in 2023 does not meet the criteria for such classification. In September 2024, the Subsidiary Y ceased to borrow the racehorses from the Related Party.

38. RELATED PARTIES TRANSACTIONS (Continued)

(b) Other related party transactions (Continued)

(ii) On 25 September 2024, the Subsidiary Y entered into an agreement to sell 34 horses with a carrying amount of AUD2,093,000 (equivalent to HK$11,030,000) to the Related Party for a consideration of AUD2,236,000 (equivalent to HK$11,784,000) and recorded a loss of AUD60,000 (equivalent to HK$316,000) after deducting the tax and expenses on the disposal.

(c) Balance with a related party

	2024 **HK$'000**	2023 HK$'000
Amount due to a director	**2,904**	–

The amount is unsecured, interest free and without fixed repayment terms.

39. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to financial institutions to secure the general credit facilities granted to the Group:

	2024 **HK$'000**	2023 HK$'000
Bills receivables	**2,890**	–

Financial Summary

	For the year ended 31 December				
	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
RESULTS					
Revenue	901,141	1,082,637	986,094	714,486	**456,859**
Profit/(loss) before income tax	8,932	70,916	18,719	(98,628)	**(275,950)**
Income tax expenses	(941)	(16,279)	(16,888)	(4,312)	**(22,781)**
Profit/(loss) for the year	7,991	54,637	1,831	(102,940)	**(298,731)**
Attributable to:					
The owners of the Company	10,588	55,092	6,228	(102,604)	**(298,573)**
Non-controlling interests	(2,597)	(455)	(4,397)	(336)	**(158)**
	7,991	54,637	1,831	(102,940)	**(298,731)**
	HK$	HK$	HK$	HK$	**HK$**
Earnings/(loss) per share					
Basic	0.014	0.073	0.008	(0.136)	**(0.395)**
Diluted	0.014	0.073	0.008	(0.136)	**(0.395)**

	As at 31 December				
	2020 HK$'000	2021 HK$'000	2022 HK$'000	2023 HK$'000	**2024** **HK$'000**
Total assets	1,374,342	1,416,142	1,263,221	1,031,356	**694,161**
Total liabilities	(258,702)	(288,974)	(227,456)	(180,126)	**199,599**
	1,115,640	1,127,168	1,035,765	851,230	**494,562**
Equity attributable to the owners of the Company	1,121,383	1,133,366	1,047,414	863,734	**507,013**
Non-controlling interests	(5,743)	(6,198)	(11,649)	(12,504)	**(12,451)**
	1,115,640	1,127,168	1,035,765	851,230	**494,562**

This annual report is published in both English and Chinese, should any conflict regarding meaning arises, the English version shall prevail.