MATRIX

MATRIX HOLDINGS LIMITED
美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2024 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the "**Directors**") of Matrix Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2024 as follows:

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	*4*	**456,859**	714,486
Cost of sales		**(304,493)**	(405,806)
Gross profit		**152,366**	308,680
Other income	*6*	**11,319**	26,652
Other gains and losses	*7*	**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	*8*	**(4,473)**	(3,801)
Loss before tax	*10*	**(275,950)**	(98,628)
Income tax expense	*9*	**(22,781)**	(4,312)
Loss for the year		**(298,731)**	(102,940)

	Note	**2024**	2023
		HK$'000	*HK$'000*
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:			
Basic and diluted		**(39.5)**	(13.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	**2024** **HK$'000**	2023 HK$'000
Non-current assets			
Property, plant and equipment		**81,283**	119,518
Right-of-use assets		**38,995**	214,462
Intangible assets		**–**	41,822
Deposits		**109,573**	121,086
Deferred tax assets		**–**	23,405
		229,851	520,293
Current assets			
Inventories		**307,751**	189,275
Trade and bills receivables	*13*	**77,591**	113,521
Prepayment, deposits and other receivables		**19,296**	25,470
Current tax assets		**1,939**	1,595
Fixed bank deposits with maturity over three months		**899**	–
Bank and cash balances		**56,834**	181,202
		464,310	511,063
Current liabilities			
Trade payables	*14*	**27,007**	30,305
Accruals and other payables		**77,421**	71,105
Contract liabilities		**3,471**	3,477
Bank borrowings		**5,242**	4,234
Lease liabilities		**10,552**	14,749
Amount due to a director		**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**	2023
	Note	***HK$'000***	*HK$'000*
Non-current liabilities			
Lease liabilities		**61,746**	30,620
Deferred tax liabilities		**1,759**	1,742
		63,505	32,362
NET ASSETS		**494,562**	851,230
Capital and reserves			
Share capital		**75,620**	75,620
Reserves		**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

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.

4. REVENUE

	2024	2023
	HK\$'000	*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

5. 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 and other corporate assets which are managed on a central basis; and

– Segment liabilities do not include deferred tax liabilities and other corporate liabilities.

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	**Property development**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Revenue from external customers	**456,859**	**–**	**456,859**
Segment results	**(251,386)**	**–**	**(251,386)**
Unallocated other income *(Note 6)*			**11,319**
Unallocated other gains or losses *(Note 7)*			**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	Property development	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	714,486	–	714,486
Segment results	(88,953)	–	(88,953)
Unallocated other income *(Note 6)*			26,652
Unallocated other gains or losses *(Note 7)*			10,445
Unallocated corporate expenses			(42,971)
Finance costs			(3,801)
Loss before tax			(98,628)

6. OTHER INCOME

	2024	2023
	HK$'000	*HK$'000*
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	**1,358**	15,582
	11,319	26,652

7. OTHER GAINS AND LOSSES

	2024	2023
	HK$'000	*HK$'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	**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

8. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**220**	384
Interest expense on lease liabilities	**4,253**	3,417
	4,473	3,801

9. INCOME TAX EXPENSE

	2024	2023
	HK$'000	*HK$'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

10. LOSS FOR THE YEAR

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

	2024	2023
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**3,546**	3,851
– Non-audit services	**75**	1,074
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

11. DIVIDENDS

	2024	2023
	HK$'000	*HK$'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.

12. LOSS PER SHARE

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

	2024	2023
	HK$'000	*HK$'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.

13. TRADE AND BILLS RECEIVABLES

	2024	2023
	HK$'000	*HK$'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 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	2023
	HK$'000	*HK$'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

14. TRADE PAYABLES

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

	2024	2023
	HK$'000	*HK$'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

15. CAPITAL COMMITMENTS

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

	2024	2023
	HK$'000	*HK$'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

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.

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.

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 (2023: N/A). 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, 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Board has adopted the corporate governance code (the "**CG Code**") and amended it from time to time, which is based on the principles set out in Appendix 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 15 May 2025 at 2:30 p.m. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 May 2025 to 15 May 2025, both days inclusive for the entitlement to attend the AGM, and be closed on 23 May 2025 for the final dividend entitlement, during such periods no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 8 May 2025. In order to be eligible to have final dividend, all transfers accompanied by the relevant share certificates must be lodged with the address of the Company's Branch Share Registrar in Hong Kong as abovementioned, not later than 4:30 p.m. on 22 May 2025.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2024, including the accounting principles and practices adopted by the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from audited financial report of the Company prepared by Crowe (HK) CPA Limited, the auditor of the Company, for the year ended 31 December 2024.

QUALIFIED OPINION

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.

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 has 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.

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 December 31, 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 December 31, 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.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange. The 2024 Annual Report and Notice of AGM of the Company will be despatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

BOARD COMPOSITION

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Ms. Yip Hiu Har and Ms. Shirley Marie Price as executive Directors and Mr. Mak Shiu Chung, Godfrey, Mr. Heng Victor Ja Wei and Mr. Chui Ka Hing as independent non-executive Directors.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 26 March 2025

* *For identification purpose only*