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MATRIX

MATRIX HOLDINGS LIMITED

美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2012 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of Matrix Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Turnover	*3*	**880,374**	882,331
Cost of sales		**(585,522)**	(571,920)
Gross profit		**294,852**	310,411
Other income		**3,429**	4,810
Distribution and selling costs		**(133,876)**	(130,413)
Administrative expenses		**(115,663)**	(137,459)
Finance costs		**(2,980)**	(3,181)
Other gains and losses		**(3,450)**	12,760
Research and development costs		**(15,916)**	(8,562)
Profit before taxation	*4*	**26,396**	48,366
Income tax expense	*5*	**(3,043)**	(300)
Profit for the year attributable to owners of the Company		**23,353**	48,066

* *For identification purpose only*

	NOTE	2012 HK$'000	2011 HK$'000
Other comprehensive income (expense)			
Gain on revaluation of land and buildings, and plant and machinery		**4,083**	12,606
Deferred tax arising from revaluation of land and buildings, and plant and machinery		**–**	(542)
Exchange difference arising on translation of foreign operations		**2,366**	(13,801)
Reclassification of exchange difference on deregistration of foreign operations		**(409)**	(1,886)
Other comprehensive income (expense) for the year, net of tax		**6,040**	(3,623)
Total comprehensive income for the year attributable to owners of the Company		**29,393**	44,443
Earnings per share	*7*		
Basic		**HK$0.03**	HK$0.07
Diluted		**HK$0.03**	HK$0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**256,800**	253,280
Prepaid lease payments		**919**	951
Goodwill		**96,822**	96,822
Intangible asset		**5,457**	17,894
Deferred tax assets		**6,787**	8,567
Deposits paid for acquisition of property, plant and equipment		**1,039**	1,948
		367,824	379,462
Current assets			
Inventories		**295,925**	247,821
Trade and other receivables	*8*	**178,056**	156,681
Prepaid lease payments		**32**	32
Tax recoverable		**7,369**	7,979
Pledged bank deposit		**–**	2,183
Bank balances and cash		**43,305**	45,998
		524,687	460,694
Current liabilities			
Trade and other payables and accruals	*9*	**185,009**	141,468
Tax payable		**59,966**	58,719
Bank borrowings		**25,805**	6,978
		270,780	207,165
Net current assets		**253,907**	253,529
Total assets less current liabilities		**621,731**	632,991
Capital and reserves			
Share capital	*10*	**72,310**	71,733
Reserves		**474,311**	472,203
Equity attributable to owners of the Company		**546,621**	543,936
Non-current liabilities			
Deferred tax liabilities		**4,436**	6,386
Loans from ultimate holding company		**70,674**	82,669
		75,110	89,055
		621,731	632,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2012

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In October 1999, there was a court judgement in connection with a claim made by a trade creditor. According to the court judgement, the Company did not hold the legal ownership of Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. ("MPMZ"), an indirect wholly owned major subsidiary of the Company. The Company has made an application for a judicial review of the judgement regarding the ownership of MPMZ. In 2002, the Company received an acknowledgement from Zhongshan Intermediate People's Court that Guangdong High People's Court has transferred the Company's application to Zhongshan Intermediate People's Court for processing. The Directors of the Company, based on independent legal advice, are of the opinion that the aforesaid judgement can be overruled and will have no material impact on the financial position and operations of the Group. Accordingly, MPMZ continues to be treated as an indirectly held subsidiary of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendment to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements: Joint Arrangements and Disclosure of Interests in other Entities: Transaction Guidiance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] *Effective for annual periods beginning on or after 1st January, 2013*

[2] *Effective for annual periods beginning on or after 1st January, 2014*

[3] *Effective for annual periods beginning on or after 1st January, 2015*

[4] *Effective for annual periods beginning on or after 1st July, 2012*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that the application of this new Standard may affect the amounts of property, plant and equipment reported in the consolidated financial statements measured at revalued amounts and result in more extensive disclosures in the consolidated financial statements.

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on geographical location of customers.

Specifically, for the year ended 31st December, 2012, the Group's operating segments under HKFRS 8 are – the United States, Europe, Mexico, Canada, South America, Australia and New Zealand and all other locations. South America is presented as a separate reportable segment, starting from the year ended 31st December, 2012, due to its significant revenue stream, while Hong Kong is included in all other locations as the revenue generated from Hong Kong has decreased to HK$2,639,000 for the year ended 31st December, 2012 from HK$10,355,000 for the year ended 31st December, 2011. Russia is included in Europe for the year ended 31st December, 2012 rather than included in all other locations as was for the year ended 31st December, 2011 because of management's marketing strategy to view Europe as a whole. Segment information for the year ended 31st December, 2011, has been restated to conform with current year presentation. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the Chairman of the Company, in order to allocate resources to segments and to assess their performance.

Segment revenues and results

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

For the year ended 31st December, 2012

	United States	**Europe**	**Mexico**	**Canada**	**South America**	**Australia and New Zealand**	**All other locations** ***(Note)***	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER								
External sales	**734,134**	**37,883**	**18,636**	**39,195**	**13,624**	**17,600**	**19,302**	**880,374**
RESULTS								
Segment profit	**116,533**	**3,153**	**1,778**	**5,856**	**1,132**	**2,083**	**1,560**	**132,095**
Unallocated income								**3,040**
Unallocated expenses								**(105,759)**
Finance costs								**(2,980)**
Profit before taxation								**26,396**

For the year ended 31st December, 2011

	United States	Europe	Mexico	Canada	South America	Australia and New Zealand	All other locations *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	756,660	30,602	13,848	34,754	8,254	15,576	22,637	882,331
RESULTS								
Segment profit	138,812	2,954	1,262	5,632	950	2,088	1,983	153,681
Unallocated income								13,360
Unallocated expenses								(115,494)
Finance costs								(3,181)
Profit before taxation								48,366

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the pre-tax profit earned by each segment without allocation of investment income, other non operating income, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segments assets and liabilities

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

At 31st December, 2012	**United States** *HK$'000*	**Europe** *HK$'000*	**Mexico** *HK$'000*	**Canada** *HK$'000*	**South America** *HK$'000*	**Australia and New Zealand** *HK$'000*	**All other locations** *HK$'000*	**Consolidated** *HK$'000*
ASSETS								
Segment assets	**359,536**	**25,074**	**10,620**	**20,167**	**7,806**	**10,647**	**32,223**	**466,073**
Property, plant and equipment								**256,800**
Unallocated and other corporate assets								**169,638**
Consolidated assets								**892,511**
LIABILITIES								
Segment liabilities	**112,562**	**5,308**	**2,611**	**5,492**	**1,909**	**2,466**	**15,176**	**145,524**
Unallocated and other corporate liabilities								**200,366**
Consolidated liabilities								**345,890**

At 31st December, 2011	United States *HK$'000*	Europe *HK$'000*	Mexico *HK$'000*	Canada *HK$'000*	South America *HK$'000*	Australia and New Zealand *HK$'000*	All other locations *HK$'000*	Consolidated *HK$'000*
ASSETS								
Segment assets	340,217	10,709	3,889	10,948	2,318	5,487	10,794	384,362
Property, plant and equipment								253,280
Unallocated and other corporate assets								202,514
Consolidated assets								840,156
LIABILITIES								
Segment liabilities	81,481	2,787	1,205	3,029	718	1,358	2,504	93,082
Unallocated and other corporate liabilities								203,138
Consolidated liabilities								296,220

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

- Only inventories, trade receivables and certain other receivables are allocated to operating segments.

- Only trade payables and certain other payables and accruals are allocated to operating segments.

4. PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after (crediting) charging:		
Loss (gain) on disposal of property, plant and equipment	**234**	(198)
Reversal of revaluation deficit recognised on property, plant and equipment	**(241)**	(389)
Cost of inventories recognised as an expense	**585,522**	571,920
Allowance for obsolete inventories (included in cost of inventories recognised)	**13,908**	456
Auditor's remuneration	**3,401**	3,333
Amortisation of prepaid lease payments	**32**	32
Depreciation of property, plant and equipment	**44,905**	45,021
Impairment of property, plant and equipment	**–**	1,174
Amortisation of intangible assets (included in cost of sales)	**12,437**	12,437
Research and development costs (including staff costs of HK$2,875,000 (2011: HK$2,957,000))	**15,916**	8,562
Staff costs *(Note)*	**273,582**	281,333

Note:

Staff costs include Directors' remuneration and employees' benefits in respect of share options granted but exclude staff costs included in research and development costs.

5. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**(192)**	(346)
Other jurisdictions	**(2,999)**	(1,954)
	(3,191)	(2,300)
(Under) over provision in prior years		
Hong Kong	**12**	3
Other jurisdictions	**(30)**	(747)
	(18)	(744)
Deferred tax:		
Current year	**166**	2,744
Taxation expense attributable to the Company and its subsidiaries	**(3,043)**	(300)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

According to the Investment License granted by Vietnam tax authority to Matrix Manufacturing Vietnam Company Limited ("MVN") and Keyhinge Toys Vietnam Joint Stock Company ("KVN"), the applicable Vietnam enterprise income tax rate was 10% during their operating periods. MVN was eligible for exemption from Vietnam enterprise income tax for four years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next four years. During the year ended 31st December, 2011, the applicable tax rates for MVN and KVN were 5% and 10% respectively. MVN was in its seventh profit-making year during the year ended 31st December, 2011. The applicable Vietnam enterprise income tax rate for Associated Manufacturing Vietnam Company Limited ("AVN") was 15% for twelve years starting from the date of operation and followed by 25% thereafter. AVN was eligible for exemption from Vietnam enterprise income tax for eight years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next seven years. During the year ended 31st December, 2011, AVN was exempted from Vietnam enterprise income tax as it was the fourth profit-making year of AVN.

Pursuant to the Circular 199/2012/TT-BTC "Guiding Implementation of the Government's Decree No.122/2011IND-CP, of 27th December, 2011, on change of the Enterprise Income Tax Incentives for Enterprises Being Enjoyed the Enterprise Income Tax Incentives by Meeting the Conditions for Incentives on the Export Rate which are terminated due to the Implementation of World Trade Organization Commitment", ("Guiding Implementation 2012") issued by the Ministry of Finance, Vietnam on 15th November, 2012, the applicable tax rate for MVN and KVN is 15% during the remaining term of their operations while the applicable tax rate for AVN is 7.5% for calendar year from 2012 to 2016 and 25% from 2017 to end of the term of its operation. Accordingly, the applicable tax rate for MVN, KVN and AVN are 15%, 15% and 7.5% respectively for the year ended 31st December, 2012.

The applicable Vietnam enterprise income tax rate for Matrix Vinh Company Limited ("VVN") is 25% since the date of operation from 1st April, 2011.

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

The applicable US enterprise income tax rate for US subsidiaries is 34% since the date of operation.

The tax position of certain subsidiaries of the Group was under audit by the Hong Kong Inland Revenue Department ("IRD"). Additional tax assessments to certain subsidiaries were issued by IRD in the past few years in respect of the years of assessment 2000/2001 to 2007/2008. The Group filed objections against such assessments. The Company had appointed a tax advisor to assist the Group in handling this tax audit and a settlement proposal was submitted to IRD in year 2011. After several meetings and discussions with the case officers of IRD, the settlement proposal was accepted by IRD. In January 2013, IRD issued final tax assessments on certain subsidiaries, the directors of the Company considered that the tax provision brought forward from prior year is sufficient to cover the tax assessments amount, penalty, potential surcharges and interests.

6. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
2011 final, paid – HK3.5 cents (2011: 2010 final, paid – HK5 cents) per share	**25,188**	35,615
2012 interim, paid – HK1.1 cents (2011: 2011 interim, paid – HK1.1 cents) per share	**7,915**	7,890
	33,103	43,505

The 2011 final and 2012 interim dividend were declared and paid as cash dividend.

As at 31st December, 2011, the scrip dividend alternative was accepted by some of the shareholders in respect of the 2010 final dividend. A total of 5,033,085 scrip dividend shares for the dividend of approximately HK$7,831,000 were issued to the shareholders on 17th June, 2011 and the rest of approximately HK$27,784,000 was paid to the shareholders as cash dividend.

The final dividend of HK 1.3 cents (2011: HK3.5 cents) per share amounting to approximately HK$9,824,000 (2011: HK$25,188,000) has been proposed by the Directors and is subjected to approval by the shareholders in the annual general meeting. The proposed final dividend for 2012 will be payable in cash.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**23,353**	48,066

	2012	2011
	HK$'000	*HK$'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**719,497**	717,327
Effect of dilutive potential ordinary shares:		
Share options	**13,477**	7,395
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**732,974**	724,722

As at 31st December, 2011, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the effects of the scrip dividend in June 2011.

The computation of diluted earnings per share for the year ended 31st December, 2011 did not assume the exercise of certain share options of the Company because the exercise price of these share options was higher than the average price of the Company's shares. For the year ended 31st December, 2012, all outstanding share options have been taken into account in the calculation of diluted earnings per share as the average price of the Company's shares was higher than the exercise price of all the outstanding share options of the Company.

8. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**154,111**	131,589
Less: Allowance for doubtful debts	**(4,834)**	(4,834)
	149,277	126,755
Other receivables, deposits and prepayments	**28,779**	29,926
Total trade and other receivables	**178,056**	156,681

Trade receivables

The Group allows a credit period of 14 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**141,115**	110,002
61 – 90 days	**7,382**	16,005
> 90 days	**780**	748
	149,277	126,755

Included in the Group's trade receivables are receivables of approximately HK$69,911,000 (2011: HK$24,075,000) denominated in United States dollar ("USD"), foreign currency of the relevant Group entities.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**123,362**	76,805
Other payables and accruals	**61,647**	64,663
	185,009	141,468

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

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**54,508**	48,505
61 – 90 days	**50,227**	21,421
> 90 days	**18,627**	6,879
	123,362	76,805

As at 31st December, 2011, other payables and accruals included dividend payable of HK$4,732,000.

10. SHARE CAPITAL

	Number of shares		Share capital	
	2012	2011	**2012**	2011
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised				
At the beginning and end of the year	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid				
At the beginning of the year	**717,327**	712,294	**71,733**	71,229
Issue in lieu of cash dividend *(Note a)*	**–**	5,033	**–**	504
Exercise of share options *(Note b)*	**5,770**	–	**577**	–
At the end of the year	**723,097**	717,327	**72,310**	71,733

None of the Company's subsidiaries purchased, sold and redeemed any of the Company's shares during the year.

Notes

(a) On 17th June, 2011, the Company issued and allotted a total of 5,033,085 ordinary shares of HK$0.10 each in the Company at par value to the shareholders who elected to receive shares in the Company in lieu of cash payment for the 2010 final dividend. These shares issued rank pari passu with the existing shares in all respects. The details of the scrip dividend alternative are set out in note 6.

(b) During the year ended 31st December, 2012, the Company issued and allotted a total of 5,770,000 ordinary shares of HK$0.1 each in the Company at exercise price of HK$1.25 each to certain share options holders who exercised their share options. These shares issued rank pari passu with the existing shares in all respects.

11. CONTINGENT LIABILITIES

(i) Pursuant to the Award made on 2nd March, 2012 between Matrix Distribution Limited ("MDL") and Global Brands (Football) Pte Limited (In Creditors' Voluntary Liquidation) ("GB") in respect of disputes arising out of a Supply Appointment Agreement entered into between the companies dated 5th October, 2007, the arbitrator ordered and directed the following: (i) MDL's claims are dismissed; (ii) MDL is to pay to GB within 28 days of the date of the Award the sum of US$7,000,000; and (iii) MDL is to pay to GB interest to be calculated at the prime lending rate of the Bank of China (Hong Kong) Limited in Hong Kong from time to time in effect for loans made in US$ to commercial borrowers in Hong Kong as follows: (a) on the amount of US$3,500,000 from 1st May, 2009 until the date of the Award; (b) on the amount of US$3,500,000 from 30th June, 2010 until the date of the Award; (c) on the amount of US$7,000,000 from the day after the date of the Award until payment. The arbitrator also ordered and directed the parties to attempt to reach an agreement on costs.

GB and its former directors represented to MDL that it was an exclusive licensee for footballs bearing trademarks of the Federation Internationale de Football Association ("FIFA"). Based on these representations, MDL entered into several agreements (including the Supply Appointment Agreement) with GB for the manufacture and distribution of such footballs and paid GB sums totalling US$8,070,000. However, MDL subsequently discovered that the agreement between FIFA and GB did not grant GB an exclusive license for footballs bearing the FIFA trademarks, contrary to the representations made to MDL. MDL would not have entered into agreements with GB and paid money to them if it had known that GB was not an exclusive licensee. Based on these representations, MDL considered to apply to set aside the Award and to pursue their own rights against GB and its former directors. Therefore, no settlement payments were made by MDL to GB subsequent to the arbitration award.

As at 31st December, 2011, MDL had net liabilities and did not own any significant assets. The Directors anticipated that MDL might be put into liquidation by GB. The Directors were of the opinion that any liquidation of MDL would not affect the financial position of the Group as a whole or the Company itself. None of the other companies within the Group, including the Company and MDL's intermediate holding company, had any contractual commitment to GB. The Directors therefore considered, after receiving legal advice, that (i) the likelihood of GB making successful legal claim against any of the companies within the Group was remote; and (ii) the possibility of any transfer of economic benefits in settlement of the claim of US$7,000,000 was remote and thus no provision of US$7,000,000 had been made in the consolidated financial statements for the year ended 31st December, 2011.

During the year ended 31st December, 2012, the Group received further information that contrary to what GB had represented to the Group, GB never had the exclusive rights to use FIFA trademarks on footballs. This further justifies the Directors' belief that the agreement between FIFA and GB had never granted to GB an exclusive rights for football bearing FIFA trademarks in the first place. Accordingly, the Directors consider that they would have grounds to argue that the Supply Appointment Agreement would be void and the Award would be invalid. The Directors therefore continue to have a view that the Group should not provide for any liability in respect of the Award. As further described in note 30 to the consolidated financial statements, the Group was informed that the liquidator of GB had applied to the courts of Hong Kong and the BVI for the winding up of MDL. In view of the liquidation, and further to legal advice received by the Group, the Directors decided not to take any further action to attempt to get the Award set aside.

(ii) A legal claim was filed on 10th January, 2011 against Funrise, Inc., a subsidiary of the Company by Charles M. Forman (the "Plaintiff A"), liquidator of a customer of Funrise, Inc. (the "Debtor A").

Plaintiff A alleged its complaint against Funrise, Inc. by bringing adversary proceeding to avoid and recover the monetary value of all such preferential transfer (the "Transfer") made by Debtor A to Funrise, Inc. arising from the Debtor's bankruptcy.

The total potential claim is approximately US$115,000 against Funrise, Inc. (total equivalent to HK$897,000). The directors believe, based on legal advice, Funrise, Inc. has a meritorious defense based on a "contemporaneous exchange of value". The aforementioned complaint would not result in any material adverse effects on the financial position of the Group. Accordingly no provision was made in the consolidated financial statements as at 31st December, 2011. During the year ended 31st December, 2012, a settlement agreement has been reached between Plaintiff A and Funrise, Inc. amounting to US$10,000 which would be settled by Funrise, Inc. in 2013.

Save and except for the matter specified above, the Group does not have any litigations or claims of material importance and, so far as the directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

12. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31st December, 2012, the Company issued and allotted a total of 32,630,000 ordinary shares of HK$0.1 each in the Company at exercise price of HK$1.25 to certain share options holders who exercised their share options. These shares issued rank pari passu with the existing shares in all aspects.

SUMMARY OF THE AUDITOR'S REPORT

The followings are the extraction from the independent auditor's report with modification:

Without qualifying our opinion, we draw attention to note 2[#] to the consolidated financial statements which explains that in October 1999, there was a court judgement in connection with a claim made by a trade creditor. According to the court judgement, the Company did not hold the legal ownership of Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. ("MPMZ"), an indirect wholly owned major subsidiary of the Company. The Company has made an application for a judicial review of the judgement regarding the ownership of MPMZ. The directors of the Company, based on independent legal advice, are of the opinion that the aforesaid judgement can be overruled and will have no material impact on the financial position and operations of the Group. Accordingly, MPMZ continues to be treated as an indirectly held subsidiary of the Company.

#: Being Note 1 in this results announcement.

RESULTS

As at 31st December, 2012, the Group maintained substantially the same consolidated turnover of HK$880,374,000 when compared with HK$882,331,000 in previous year. Profit attributable to owners of the Company was down by HK$24,713,000 or 51.4% to HK$23,353,000 from HK$48,066,000 last year. Basic earnings per share was HK3 cents (2011: basic earnings per share amounting to HK7 cents). Our clients had changed their purchase practice in 2012 and adopted a concentrated approach of placing orders in the second half year. As a result, the turnover in the second half of 2012 outperformed the first half year. Moreover, with the Group's good reputation in the industry, we continued our efforts in building up close co-operation relationships with our major clients, stabilizing sales through adopting the strategy of developing products under our self-owned brand name and further promoting our well-known brands. In addition, in order to expand the geographical coverage and secure orders from our clients, we monitored closely other emerging markets, renovated product mix and changed the sales structure. For instance, we developed the new lighting business and conducted research regarding the feasibility of new products. Although affected by the change in order placing approach, the Group still maintained substantially the same turnover when compared with last year. The decrease in profit attributable to owners of the Company was primarily due to the decrease in other income arising from the exchange gains on the foreign currency translation of our Vietnam factories, and the Company made a provision arrangement according to the accounting policy.

DIVIDENDS

During the year, the Company paid an interim dividend of HK1.1 cents in cash (2011: interim dividend HK1.1 cents in cash) per share to the shareholders. The Directors had resolved to recommend the payment of a final dividend of HK1.3 cents (2011: HK3.5 cents) per share for the year ended 31st December, 2012, payable to shareholders whose names appear on the Register of Members of the Company on 14th May, 2013. Together with the interim dividend paid of HK1.1 cents per share, the total dividend per share for the year is HK2.4 cents (2011: HK4.6 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 21st May, 2013 in cash.

BUSINESS REVIEW

During the year under review, the Group continued its efforts in strengthening the competitiveness of its core toy and production business, and exploring the lighting products business proactively, enriching the product mix of each business segment and adding new product lines. At the same time, the Group participated in different trade fairs to increase its brand awareness and explored various new sales channels. Meanwhile, back to a year earlier, the management had already foreseen the potential challenges and made decisive actions to assume the plants in Vietnam as its key production base in replacement of its plant in China. This had benefited the Group in reducing its reliance on the plant in China where direct labour costs are higher and is impacted by significant increase in minimum wages year on year, thereby mitigating the pressure of production costs. Whilst the price of raw materials like plastics had stabilized, the Group took measures in evaluating reduction of the scale of idle production facilities and optimizing our production system to lower costs. Accordingly, as compared with last year, the Group still managed to stabilize the production costs even with a slight increase in labour costs. The Group further monitored the decrease in administrative expenses. Despite the Group took its investment model strategically as its long-term growth measure, the decrease in other income arising from the exchange gains on the foreign currency translation of our Vietnam factories, and the accounting provision arrangement, the Group recorded a profit.

MANUFACTURING OPERATION

The Group operated a total of five factories, with the major four factories located in Vietnam and the other one in Zhongshan, China. Our product research and development ("R&D") center of the Group further promoted the development of R&D and recruited talented R&D team to further improve our R&D capability, and more high value-added projects have been included to further expand and optimize our product mix to support our lighting business. As for the costs, the management kept optimizing its procurement procedures, and continued to implement stringent control over operating expenses, and restructured its manpower, replaced inefficient production facilities, streamlined work processes and also studied the possibility of making use of the idle production capacity available in low seasons, thereby achieving more cost-effective production. The Group's production base in Vietnam is currently enjoying more favourable conditions when comparing with operating the production business in China along with the complementing rationalised production lines, it continued to exert positive impact on our cost effectiveness, so as to maintain our sustainable long-term growth.

SEGMENT PERFORMANCE

The Group has always been actively exploring new sales channels, such as online blog and social media promotion, appointing new distribution partners and introducing new sales plans to identify the demand for the Group's products by clients worldwide. Apart from securing a firm foothold in traditional markets like the United States and Europe, the active distribution approach also targeted at increasing orders from customers in emerging economies and it has all along been closely monitoring other new markets, such as Bolivia and Turkey to expand our sales geographical coverage. The Group has a strong customer base, and will fully leverage on the potential advantages brought by its existing customer base in selling new products, and thus lead to a stable performance in global sales. The Group kept on adjusting its business strategy to cope with the ever changing market environment, such as some clients in major import countries has changed their practice of placing orders. While we have started producing lighting products that are less sensitive to the economic cycle, we continue to explore new business scopes and enrich our product lines to make better use of our existing production facilities to meet customers' diversified demand for our products, thereby further expanding our customer base. Apart from the core toy manufacturing and sales activities, it is worth mentioning that the lighting business has started to contribute to the turnover of the Group. In general, the overall business development of the Group is as follows:

United States ("US")

The US was still a major export market for the Group's toy products. Our turnover decreased by HK$22,526,000 or 3.0% to HK$734,134,000 this year from HK$756,660,000 last year. The Group has solid partnerships with its clients in the current Original Equipment Manufacturing ("OEM") business and Original Design Manufacturing ("ODM") business. Our new authorized licensing business, "MY LITTLE PONY" plush toys, and the overall ODM business had delivered satisfactory performance, and along with the increase in orders for lighting products, they had offset the cyclical sales impact of the adoption of concentrated order-placing approach by OEM clients that resulted a change ordering schedule and the tuning down "HOP" brand products boom by certain customers. Furthermore, the Group kept developing and exploring new distribution channels to market products for the authorized licensing business brand "TONKA", the self-owned brand "GAZILLION", and the new brand "GIRL ACTIVITIES/ROLE PLAY" products series. The Group will strive to maintain the authorized licensing business for major brands, enrich other product lines such as "MY LIFE AS PROGRAM", and retain its existing distributors and clients, including Wal-Mart, Target, Costco, Toys "R" US and Kohl's.

Canada

Our turnover in the Canadian market was increased by HK$4,441,000 or 12.8% to HK$39,195,000 this year from HK$34,754,000 last year. As one particular client increased its orders substantially and also because of economic recovery, client's demand for the authorized licensing business brand "TONKA" and the self-owned brand "GAZILLION" still continued. At the same time, with the increase in orders for lighting products, the turnover in the Canadian market increased. The Group will endeavour to retain its existing distributors and clients, including Costco, Wal-Mart and Toys "R" US.

Europe

Europe was also an important market of the Group. Our turnover increased by HK$7,281,000 or 23.8% to HK$37,883,000 this year from HK$30,602,000 last year. The demand for our products from clients in other European countries such as Denmark, Turkey and United Kingdom still continued. Besides, orders from new additional clients in France, Ukraine, Italy and Switzerland and increased orders for lighting products had offset the decreased demand for our products from clients in Russian and Belgium markets, the turnover in the European market recorded an increase. The Group will endeavour to retain its existing distributors and clients.

Mexico

Our turnover in the Mexican market increased by HK$4,788,000 or 34.6% to HK$18,636,000 this year from HK$13,848,000 last year. The increase in the region was mainly attributable to further continuous demand for TONKA and GAZILLION BUBBLES products. At the same time, orders for lighting products had increased. The Group will endeavour to retain its existing distributors and clients, such as Coppel.

Australia and New Zealand

Our turnover in the Australian and New Zealander markets increased by HK$2,024,000 or 13.0% to HK$17,600,000 this year from HK$15,576,000 last year. The increase in orders for lighting products and the increasing demand for TONKA from other clients in Australia and New Zealand had offset the impact from an Australian client's adjustment and cancellation on some of our licensed brands in response to market change. The Group will endeavour to retain its existing distributors and clients, such as TRU, Woolworths and Kmart Australia etc., and it is expected that orders will be re-secured from a certain customer.

South America

Our turnover in the South American market increased by HK$5,370,000 or 65.1% to HK$13,624,000 this year from HK$8,254,000 last year, which was mainly attributable to the stabilized economic conditions and the steady sales volume. Demand for "TONKA" and "GAZILLION" products in these South American countries such as Chile, Panama, Venezuela and Bolivia, still continued. At the same time, orders for lighting products recorded an increase, the overall turnover from the South American market had increased.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2012, the Group had bank balances and cash of approximately HK$43,305,000 (2011: HK$45,998,000) and pledged bank deposit of approximately HK$nil (2011: HK$2,183,000) secured for banking facilities granted. During the year under review, the Group obtained banking facilities in a total of approximately HK$126,200,000 (2011: HK$50,000,000) of which HK$95,000,000 was provided by Corporate guarantee and HK$31,200,000 was secured under floating charge on certain assets of a group entity.

As at 31st December, 2012, the Group had bank loans of approximately HK$25,805,000 (2011: HK$6,978,000). The Group's gearing ratio, representing the total debt (sum of bank borrowings and loans from ultimate holding company) divided by equity attributable to owners of the Company, was 17.7% (2011: 16.5%).

During the year, net cash generated from operating activities amounted to approximately HK$64,244,000 (2011: HK$56,394,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

Capital Expenditure and Commitment

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$43,758,000 (2011: HK$57,194,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash generated from operations. Capital expenditure authorised for the year but not contracted for amounted to approximately HK$904,000 (2011: HK$2,003,000).

Assets and Liabilities

At 31st December, 2012, the Group had total assets of approximately HK$892,511,000 (2011: HK$840,156,000), total liabilities of approximately HK$345,890,000 (2011: HK$296,220,000) and equity attributable to owners of the Company of approximately HK$546,621,000 (2011: HK$543,936,000). The net assets of the Group increased approximately 0.5% (2011: increased 5.0%) to approximately HK$546,621,000 as at 31st December, 2012 (2011: HK$543,936,000).

Significant Investments and Acquisition

There was no significant investment and acquisition for the year ended 31st December, 2012.

Significant Disposal

There was no significant disposal for the year ended 31st December, 2012.

Exchange Rate Risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain bank balances, pledged bank deposit and trade and other receivables of the Group are denominated in foreign currencies other than the functional currency of the relevant group entities. 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 arises.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2012, the Group had a total of approximately 10,600 (2011: 11,500) employees in Hong Kong, Macau, PRC, Vietnam, US and Europe. The Group provides its employees with competitive remuneration packages commensurate to the level of pay established by the market trend in comparable businesses. A share option scheme was adopted 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.

PROSPECTS

In the coming year, the economy of US market will remain stable, and despite the uncertainties arising from the European debt crisis still exist, the management is concerned about the toy industry worldwide and will adopt a cautious optimistic approach. The costs of labour and human resources, the prices of raw materials and energy costs, the exchange rate of US dollar and fluctuation of production costs in Vietnam will further stabilize. For the sake of long-term development in the future, the Group will focus on developing more high value-added products, such as metal and die-cast toys and will implement marketing strategies to lay a foundation for our products.

Furthermore, in light of the prevailing global environmental-friendly mentality, a number of European countries are putting their unremitting efforts in promoting environmental-friendly lighting products to replace traditional bulbs, thereby bringing outstanding market business opportunities for the new lighting business of the Group. Further to the Group's continuous marketing efforts, the Viribright lighting brand is gradually being awared and accepted by the global market. The management will actively consider the possibility of facilitating further development, and try its very best to broaden our income source and reduce the dependency over any single business segment.

Looking ahead, the Group's ultimate goal will be to continue maintain profitability and achieving cost efficiency. As such, we will closely monitor the company's development strategy so as to maximize the return for our shareholders.

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 OF THE CORPORATE GOVERNANCE CODE

The Board has adopted its own code on corporate governance practices ("former CGP Code") and amended it from time to time, which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Listing Rules. A new corporate governance code was recently adopted (the "CG Code") by the Company to replace the former CGP Code to reflect the new requirements under the revised HKEx Code effective from April 2012 (the "Revised HKEx Code").

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 former CGP Code as well as the CG Code and their own codes except the deviation from i) the code provision A.4.1 that none of the existing non-executive directors of the Company is appointed for a specific term. However, as all the non-executive directors of the Company (including independent non-executive directors) are subject to retirement provision under the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the former CGP Code and CG Code as well; ii) the code provision A.1.8 that the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company is now in progress of reviewing an appropriate insurance policy for the directors of the Company or together with all overseas members of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all the Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by directors adopted by the Company.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Peony Room, Crowne Plaza Hotel & Suites Landmark Shenzhen, No.3018, Nanhu Road, Luohu District, Shenzhen on 8th May, 2013 at 2:30 p.m.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7th May, 2013 to 8th May, 2013, both days inclusive for the entitlement to attend the AGM, and be closed on 14th May, 2013 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 6th May, 2013. 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 13th May, 2013.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31st December, 2012, including the accounting principles and practices adopted by the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Stock Exchange. The 2012 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. Arnold Edward Rubin, Mr. Yu Sui Chuen, Ms Cheng Wing See, Nathalie, Mr. Cheung Kwok Sing, Mr. Leung Hong Tai, Mr. Tsang Chung Wa and Mr. Tse Kam Wah as executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei as independent non-executive Directors.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 21st March, 2013