MATRIX

MATRIX HOLDINGS LIMITED

美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2013 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, 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Note	**2013** ***HK$'000***	2012 *HK$'000* (Restated)
Revenue	*3*	**1,034,079**	880,374
Cost of sales		**(650,021)**	(578,008)
Gross profit		**384,058**	302,366
Other income		**1,183**	3,188
Other losses		**(5,110)**	(3,450)
Distribution and selling costs		**(157,640)**	(133,876)
Administrative expenses		**(120,728)**	(115,663)
Research and development costs		**(16,370)**	(15,916)
Operating profit		**85,393**	36,649
Finance costs		**(2,368)**	(2,980)
Profit before taxation		**83,025**	33,669
Income tax credit/(expense)	*5*	**15,021**	(3,043)
Profit for the year attributable to the owners of the Company		**98,046**	30,626

* *For identification purpose only*

	Note	2013 HK$'000	2012 HK$'000 (Restated)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**5,754**	2,366
Reclassification of exchange difference on deregistration of foreign operations		**–**	(409)
Other comprehensive income for the year, net of tax		**5,754**	1,957
Total comprehensive income for the year attributable to the owners of the Company		**103,800**	32,583
Earnings per share for profit attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic	*6*	**13**	4
Diluted	*6*	**13**	4

Details of dividend declared to the owners of the Company are set out in Note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2013

		As at 31st December,		As at 1st January,
		2013	2012	2012
	Note	***HK$'000***	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**196,722**	203,396	196,205
Leasehold land and land use rights		**15,201**	15,714	16,227
Intangible assets		**96,822**	102,279	114,716
Deferred tax assets		**4,577**	6,787	8,567
Prepayments		**95**	1,039	1,948
		313,417	329,215	337,663
Current assets				
Inventories		**309,390**	295,925	247,821
Trade and other receivables and prepayments	*8*	**199,572**	178,056	156,681
Tax recoverables		**473**	7,369	7,979
Cash and cash equivalents		**54,536**	43,305	48,181
		563,971	524,655	460,662
Total assets		**877,388**	853,870	798,325
EQUITY				
Capital and reserves attributable to the owners of the Company				
Share capital		**75,573**	72,310	71,733
Reserves		**541,714**	438,855	433,557
Total equity		**617,287**	511,165	505,290

	Note	As at 31st December, 2013 HK$'000	2012 HK$'000 (Restated)	As at 1st January, 2012 HK$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		**246**	1,251	3,201
Loan from ultimate holding company		**33,766**	70,674	82,669
		34,012	71,925	85,870
Current liabilities				
Trade and other payables and accruals	*9*	**167,077**	185,009	141,468
Tax payables		**32,737**	59,966	58,719
Bank borrowings		**26,275**	25,805	6,978
		226,089	270,780	207,165
Total liabilities		**260,101**	342,705	293,035
Total equity and liabilities		**877,388**	853,870	798,325
Net current assets		**337,882**	253,875	253,497
Total assets less current liabilities		**651,299**	583,090	591,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

1. General information

Matrix Holdings Limited (the "Company") and its subsidiaries (together "the Group") are principally engaged in the manufacturing and trading of toys and lighting products.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are carried at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New standards and amendments to existing standards that are effective for the first time for the financial year beginning 1st January, 2013 and are relevant to the Group's operations.

HKAS 1 (Amendment)	Presentation of items of other comprehensive income
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKFRS 7 (Amendment)	Disclosures – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
Annual improvement project	Annual improvement 2009-2011 cycle

Except as described below, the application of the above new standards and the amendments in current year has had no material effect on the amounts reported or disclosed in the consolidated financial statements.

HKAS 1 (Amendment) Presentation of financial statements

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. 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.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of the cash-generating units ("CGUs") which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the group until 1st January, 2014, however the group has decided to early adopt the amendment as of 1st January, 2013.

(b) New/revised standards and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Group

The following new/revised standards and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Group:

HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities [(1)]
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets [(1)]
HKFRS10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment entities [(1)]
HKAS 19 (Amendment)	Definition of benefit plans [(2)]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures [(2)]
Annual improvement project	Annual improvement 2012 [(2)]
Annual improvement project	Annual improvement 2013 [(2)]
HKFRS 9 (Amendments)	Financial Instruments [(3)]

[(1)] *Effective for the Company for annual period beginning on 1st January, 2014*

[(2)] *Effective for the Company for annual period beginning on or after 1st July, 2014*

[(3)] *Effective date to be determined*

The Group intends to adopt the above new/revised standards and amendments to existing standards when they become effective. 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.

2.2 Change in accounting policies

In previous years, the Group's leasehold land and buildings and plant and machinery were carried in the consolidated statement of financial position at their revalued amounts less subsequent accumulated depreciation and impairment losses. Taking into consideration of the future business development so as to align the Group's accounting policy with industry practice, the directors of the Company are of the view that it is no longer practicable for the Group to continue adopting such accounting policy whereas using the cost model under HKAS 16 would result in the consolidated financial statements providing more appropriate and relevant information about the Group's results and financial position to the users of the financial statements. Consequently, the Group changed its accounting policy on property, plant and equipment to follow the cost model under HKAS 16 during the year and the leasehold land and land use rights have also been separately disclosed.

This change in accounting policy has been accounted for retrospectively and the comparative figures for the corresponding comparative prior periods have been restated. This change did not result in a significant impact on the Group's consolidated net assets as at 31st December, 2013 and 2012 and the consolidated results, earnings per share (basic and diluted) and cash flows for the years ended 31st December, 2013 and 2012.

The financial impact of the change in accounting policy is summarised below:

Consolidated statement of financial position

	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
Decrease in property, plant and equipment	**(48,695)**	(53,404)	(57,075)
Increase in leasehold land and land use rights	**14,282**	14,763	15,244
Decrease in deferred taxation liabilities	**(3,185)**	(3,185)	(3,185)
Decrease in revaluation reserve	**(81,537)**	(81,537)	(80,781)
Increase in retained earnings	**46,081**	38,808	42,135

Consolidated statement of comprehensive income

	2013	2012
	HK$'000	*HK$'000*
Increase in profit	**4,228**	7,273
Increase in earning per share (basic and diluted)	**HK1 cent**	HK1 cent

3. Revenue and segment information

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

The Group's operating segments under HKFRS 8 are – the United States, Europe, Mexico, Canada, South America, Australia and New Zealand and all other locations.

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

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

Sales to external customers are after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income and financial position.

Segment revenues and results

For the year ended 31st December, 2013

	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	**858,603**	**32,553**	**14,461**	**47,525**	**26,427**	**35,668**	**18,842**	**1,034,079**
RESULTS								
Segment profit	**155,195**	**5,337**	**2,271**	**10,775**	**3,741**	**5,691**	**2,722**	**185,732**
Unallocated income								**370**
Unallocated expenses								**(100,709)**
Finance costs								**(2,368)**
Profit before taxation								**83,025**

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								(98,486)
Finance costs								(2,980)
Profit before taxation								33,669

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

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 CODM 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:

As at 31st December, 2013

	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*
ASSETS								
Segment assets	**413,157**	**14,711**	**4,948**	**17,392**	**13,229**	**13,696**	**27,144**	**504,277**
Property, plant and equipment								**196,722**
Prepaid lease payments								**15,200**
Unallocated and other corporate assets								**161,189**
Total assets								**877,388**
LIABILITIES								
Segment liabilities	**89,456**	**2,871**	**1,328**	**4,192**	**2,331**	**3,161**	**15,755**	**119,094**
Unallocated and other corporate liabilities								**138,007**
Total liabilities								**260,101**

As at 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*
ASSETS								
Segment assets	359,536	25,074	10,620	20,167	7,806	10,647	32,223	466,073
Property, plant and equipment								203,396
Prepaid lease payments								15,714
Unallocated and other corporate assets								168,687
Total assets								853,870
LIABILITIES								
Segment liabilities	112,562	5,308	2,611	5,492	1,909	2,466	15,176	145,524
Unallocated and other corporate liabilities								197,181
Total liabilities								342,705

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

Other segment information

No analysis of capital expenditures, depreciation, amortisation of leasehold land and land use rights and amortisation of intangible assets is disclosed for both years as these items are not included in segment assets nor segment results and are not reviewed by the CODM regularly.

Revenue from major products

	2013	2012
	HK$'000	*HK$'000*
Toys	**947,944**	827,181
Lighting products	**86,135**	53,193
	1,034,079	880,374

Geographical information

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

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

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**1,313**	413
Vietnam	**118,246**	113,424
United States	**10,467**	6,145
PRC	**81,873**	100,149
Other countries	**119**	18
	212,018	220,149

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

4. Expenses by nature

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Raw materials and consumables used	**363,542**	361,208
Change in inventories of finished goods and work-in-progress	**(13,544)**	(65,485)
Allowance for obsolete inventories	**–**	13,908
Employee benefit expense	**291,018**	276,451
Depreciation of property, plant and equipment	**39,964**	36,910
Amortisation of intangible assets	**5,457**	12,437
Operating lease expenses	**14,213**	13,703
Loss on disposal of property, plant and equipment	**–**	234
Advertising costs	**15,887**	15,426
Auditor's remuneration	**4,000**	3,401
Amortisation of leasehold land and land use rights	**513**	513
Royalty expenses	**43,127**	29,939
Marketing expenses	**23,414**	22,131
Freight charges	**29,269**	26,232
Other expenses	**127,900**	96,455
	944,760	843,463

5. Income tax credit/(expense)

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Current tax:		
– Hong Kong	**(625)**	(192)
– Other jurisdictions	**(1,330)**	(2,999)
Over provision in prior years		
– Hong Kong	**18,017**	12
– Other jurisdictions	**201**	(30)
Deferred tax	**(1,242)**	166
	15,021	(3,043)

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to the relevant Vietnam enterprise income tax rules and regulations, the applicable rates for certain subsidiaries of the Company range from 7.5% to 25% for the years ended 31st December, 2013 and 2012.

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

In prior years, the tax position of certain subsidiaries of the Group was under audit by the Hong Kong Inland Revenue Department ("IRD"). Additional tax assessments on certain subsidiaries were issued by the 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 in prior years. The Company submitted a settlement proposal to the IRD in year 2011. After several meetings and discussions with the IRD, the settlement proposal was accepted by the IRD. During the year, the IRD issued final tax assessments on the above-mentioned subsidiaries and agreed to settle the outstanding tax payable by installments, a reversal of tax provision approximately HK$18,000,000 has been made in the consolidated profit or loss for the year ended 31st December, 2013.

6. Earnings per share

(a) Basic

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

	2013	2012 (Restated)
Profit for the year attributable to owners of the Company *(HK$'000)*	**98,046**	30,626
Weighted average number of ordinary shares in issue *(thousands)*	**750,760**	719,497
Basic earnings per share *(HK cents)*	**13**	4

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2013	2012 (Restated)
Profit for the year attributable to the owners of the Company *(HK$'000)*	**98,046**	30,626
Weighted average number of ordinary shares for the purpose of basic earnings per share *(thousands)*	**750,760**	719,497
Effect of dilutive potential ordinary shares:		
Share options *(thousands)*	**2,734**	13,477
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**753,494**	732,974
Diluted earnings per share *(HK cents)*	**13**	4

7. Dividends

The dividends paid in 2013 and 2012 were HK$24,939,000 (HK3.3 cents per share) and HK$33,103,000 (HK4.6 cents per share) respectively. A dividend in respect of the year ended 31st December, 2013 of HK5 cents (2012: HK1.3 cents) per share, amounting to approximately HK$37,791,000 (2012: HK$9,824,000), is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as the final dividend was proposed after the date of settlement of financial position and will be accounted for in equity as an appropriation of retained profits in the year ending 31st December, 2014 when approved at the forthcoming annual general meeting.

	2013	2012
	HK$'000	*HK$'000*
Interim dividend paid of HK2 cents (2012: HK1.1 cents) per ordinary share	**15,115**	7,915
Final dividend proposed of HK5 cents (2012: HK1.3 cents) per ordinary share	**37,791**	9,824
	52,906	17,739

8. Trade and other receivables and prepayments

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**176,982**	154,111
Less: Allowance for doubtful debts	**(4,346)**	(4,834)
	172,636	149,277
Prepayments	**4,579**	13,122
Deposits and other receivables	**22,452**	16,696
	199,667	179,095
Less: non-current portion: Prepayments	**(95)**	(1,039)
Current portion	**199,572**	178,056

The Group allows a credit period of 14 to 90 days to its trade customers. Ageing analysis of trade receivables by the invoice date were as follows:

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**142,565**	141,115
61 – 90 days	**23,692**	7,382
> 90 days	**6,379**	780
	172,636	149,277

9. Trade payables, other payables and accruals

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

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**91,213**	123,362
Other payables and accruals	**75,864**	61,647
	167,077	185,009

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

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**58,255**	54,508
61 – 90 days	**14,065**	50,227
> 90 days	**18,893**	18,627
	91,213	123,362

RESULTS

The Board (the "Board") of Directors (the "Directors") of Matrix Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2013, together with the comparative figures for the corresponding year in 2012.

As at 31st December, 2013, the Group's consolidated revenue increased by approximately HK$153,705,000 or 17.5% to approximately HK$1,034,079,000 from HK$880,374,000 in the last year. The profit attributable to the owners of the Company increased by approximately HK$67,420,000 or 220.1% to approximately HK$98,046,000 from approximately HK$30,626,000 of last year.

With continuous efforts in building up close co-operative relationships with our major clients who possess with strong toy brands, the Group further developed its well-known brand products. We also strived to create co-operative opportunities with these clients across different product categories to boost the sales growth and upgrade product values to stimulate sales. Given the gradual improvement of employment rate, inflation in property prices and deregulation of consumer credit in major markets like North America, the US Consumer Confidence Index has improved and boosted consumption, which indicated acceleration of US economic recovery. The Group has also adopted the strategy of developing products under our self-owned brand name by designing various bestselling products tailored to customers' preferences and market demands with its own research and development capability, so as to gradually moving towards the goal of achieving more balanced income portfolio through establishment of new business. Therefore, during the year under review, we were not only benefited from the increase in sales from toy manufacturing business, our lighting products also received good response from the markets, and turnover of the Group has thus increased and generated more income.

The Group regarded the plants in Vietnam, incurring relatively low and more stable labor costs, as its key production base, which was beneficial in avoiding the endless cost pressure that arose from the factories located at the Pearl River Delta region in China. Despite an increase in marketing and other operating expenses in line with sales volume, benefiting from this strategy, the existing core business of the Group had consolidated its competitive advantages through this scale change and its average selling price had improved. Along with the tax provision of the Group recognised in prior years was reversed to the consolidated comprehensive profit and loss for the year ended 31st December, 2013, the Group recorded net profit growth.

DIVIDENDS

During the year, the Company paid an interim dividend of HK2 cents in cash (2012: HK1.1 cents in cash) per share to the shareholders. The Directors had resolved to recommend the payment of a final dividend of HK5 cents (2012: HK1.3 cents) per share for the year ended 31st December, 2013, payable to shareholders whose names appear on the Register of Members of the Company on 13th May, 2014. Together with the interim dividend paid of HK2 cents per share, the total dividend per share for the year is HK7 cents (2012: HK2.4 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 19th May, 2014 in cash.

BUSINESS REVIEW

The business operation of the Group includes the Original Design Manufacturing ("ODM") and Original Equipment Manufacturing ("OEM") based toy business, and the development, design, manufacturing and sales of the Own Brand Manufacturing ("OBM") based lighting products business, being the core business of the Group, supplemented by its key production base in Vietnam. While such diversified business platform supported the progressive growth of the Group, it also helped the Group to reduce the risks and challenges that arise from the industry in which it operates and where the market is locating.

Dedicated design, mold setting, production, control and other technologies provided by the Group to licensed overseas toy clients as well as design, research and development, and selling toys and lighting products of our own brand continued to be the growing arena of the Group. The business of entering into licensed brand production contracts with foreign well-known retailers and license holders in US to focus on high yield production lines, and exploring co-operative opportunities with various regions and product categories in an active manner have occupied a substantial proportion of the Group's revenue. Also, we provided products to well-known OEM clients and maintained close relationships in keeping up with the market trend. In addition, we strived to design and sell toys and lighting products of our own brand in expanding our business network, exploring market opportunities and promoting product image through various products, and participating in the influential international trade exhibitions to enlarge market share.

The Group will continue to manage prudently its cost and streamline its operation, and at the same time, maintain a healthy assets and liabilities position to support our development plan for our existing and new businesses.

Manufacturing operation

The Group's production plants in Vietnam have the advantages in labor costs, supply and costs over China. The production base in Vietnam is faced with less pressure from currency appreciation compared to China and its ongoing expansion in scale and production capacity can diversify production investment.

Apart from restructuring the business model and streamlining the business structure to improve the overall efficiency, the Group consolidated its production plants in Vietnam and Mainland China to reduce its cost pressure. The Group also consistently improved its operating conditions, enhanced cost control measures and increased production activities efficiency to maintain the stable development of its business. In addition, apart from reorganising its human resources structure, replacing inefficient machineries with high maintenance costs, the Group also rationalised its working process.

To cope with the increasing concerns from overseas markets on product safety and environmental protection, the Group continues to learn from and to adopt new technique and skill so as to prevent quality and safety issues and pay close attention and monitor the changes in safety standards and regulations in different markets to comply with the new requirements, so that our operating production base will move towards in becoming an increasingly stringent factory.

Segment performance

Given the economic recovery in the emerging markets and the US market that presented numerous potential opportunities and the gradual improving global demand, the Group was able to actively enrich its product categories and mix for its authorised licensing business brand "Tonka" and "My Little Pony", its self-owned brand "Gazillion ® Bubbles" and others like girls role-playing and Activities products series as well as introducing various new products series, which was the contribution of its dedicated research and development efforts. The Group has always been actively exploring new sales channels in emerging markets and appoints new distribution partners and introduces new sales plans in emerging markets in order to identify the demand for the Group's products by clients worldwide. On the other hand, the Group has endeavored to explore new markets such as Hungary, Poland and Sweden notwithstanding the uncertain selling prospects in certain developed markets, in particular the Western European markets.

Besides the consistent marketing efforts on electronic and paper media, the Group has further make use of the internet platform for its transaction. The Group continued to actively expand its distribution channels in the US, European and other countries through establishing new sales channels, such as direct sales and chain stores and online stores, as well as participating in more exhibitions and widen its client portfolio. By leveraging on its existing marketing plans for Tonka and My Little Pony products, the market demand for a new series of metal and die-cast toys of Tonka and My Little Pony products were satisfactory and the turnover increased.

The Group also closely monitored other emerging markets, reformed product mix, enriched its new products lines and mix, integrated the inventory and marketing and improved the marketing structure to expand the geographical coverage and secure new orders from clients. It also actively developed the business of its lighting brand "Viribright", studied continuously the feasibility for introducing new products, actively expanded and established new distribution channels through increasing participation in lighting products exhibitions.

In addition, toy safety is still the most concerned issue whether in developed and emerging markets. Besides the statutory requirements, the Group also focuses on quality and design to improve the value of products.

United States ("US")

The US was still a major export market for the Group's toy products. Our turnover increased by approximately HK$124,469,000 or 17.0% to HK$858,603,000 this year from approximately HK$734,134,000 last year.

With the continuous recovery in the US housing and labor markets, the economy has been moving back to its track of steady recovery. The extension of easing monetary policy and stimulating financial measures have brought about job opportunities and further reduced the unemployment rate. As a result, there was continuous improvement in consumer confidence and increase in spending.

By drawing on the momentum of economic recovery, the Group continued its research and development to create value-added toy products that attract children. The Group has solid partnerships with its clients in the current OEM business and ODM business. In the US, as small toy retailers were forced to wind up or reorganise, large chain stores – the Group's major clients in the US, including Wal-Mart and Target, further secured the toy industry market share.

The overall performance of the metal and die-cast toys of the authorised licensing business brand – "Tonka", "My Little Pony" and the ODM business were satisfactory. In addition, orders for lighting products had substantially increased, continuously developing and exploring new distribution channels to market for its bubbles products and other girls role-playing products series, the performance of turnover was satisfactory with an increase in overall turnover. The Group will strive to maintain the authorised licensing business for major brands, enrich other product lines and retain its existing distributors and clients, including Wal-Mart, Target and Toys "R" US.

Canada

Our turnover in the Canadian market increased by approximately HK$8,330,000 or 21.3% to HK$47,525,000 this year from approximately HK$39,195,000 last year. The Canada economy was benefited from the US economic recovery and the continuous and accelerated hiking of energy and commodity prices. Although the prolonged European debt crisis has been casting doubts on the industry recovery and exports increase, by taking into account of both circumstances, the GDP of Canada still increased, which had facilitated goods consumption. Furthermore, clients' demand for the authorised licensing business of the metal and die-cast toys brand – "Tonka" and "My Little Pony" increased, which has driven the turnover in Canadian market. The Group will strive to retain its existing distributors and clients, including Wal-Mart, Target and Toys "R" US.

Europe

Our turnover in Europe decreased by approximately HK$5,330,000 or 14.1% to approximately HK$32,553,000 this year from approximately HK$37,883,000 last year. The European Union ("EU") economy has seen weak economic recovery in the economic turbulence as a result of the uncertainties of the sovereign debt crisis as well as the lingering weakened corporate and consumer confidence. These gave rise to the inevitable austerity policies in which they slowed down demand and hindered exports growth and dragged down the recovery of consumption and investment. Despite the above-mentioned factors, the EU economy showed improvement in labor market and corporate and household sentiments are expected to drive the EU economy in 2013. However, at the same time, individual consumption is likely to be continuously uncertain with on-going fiscal consolidation and augmented by the unclear prospects brought about by the sovereign debt crisis, and may even affect our clients in Italy, Turkey, UK, Belgium and Switzerland. In Italy, individual consumption had been reduced under high unemployment situation. Turkey witnessed the deteriorating employment prospects as well as high borrowing rates which lowered domestic demand. Despite the deficits in Belgium has improved in relative term, investors generally believed that Belgium is becoming more and more vulnerable to the Eurozone crisis. The European sovereign debt crisis will still linger UK while the government is adhering to its fiscal consolidation strategies, which will drag down the weak consumer and corporate confidence. However, at the same time, the chain effects of easing credit policies mitigates unemployment rate.

Although turnover in Russia increase slightly, and number of new clients increase with a rise in turnover in the Netherlands, Poland and Sweden, there has been a drop in product demand from clients in certain European countries, such as Turkey, Italy, Switzerland and UK, and the overall turnover in the European markets still recorded a fall. The Group is still endeavor to retain its existing distributors and clients.

Mexico

Our turnover in Mexico decreased by approximately HK$4,175,000 or 22.4% to approximately HK$14,461,000 this year from approximately HK$18,636,000 last year. Even though the current US economy is rejuvenating and has pulled the Mexican economy out from the economic recession in the last two years, the overall turnover in the Mexican market recorded a decrease as it was attributable by the decrease in other products.

Australia and New Zealand

Our turnover in the Australia and New Zealand markets increased significantly by approximately HK$18,068,000 or 102.7% to approximately HK$35,668,000 this year from approximately HK$17,600,000 last year. Australia recorded economic growth in 2013. The Group entered such potential markets and laid down its foundation to seize opportunities arose from an uplift of the local consumption power. There was a an increase in orders for our lighting products and an increase in orders regained from an Australian client, plus a strong demand for Tonka products from clients offsetting the moderate decrease of other products, the overall turnover recorded a significant increase.

South America

Our turnover in South American markets increased significantly by approximately HK$12,803,000 or 94.0% to approximately HK$26,427,000 this year from HK$13,624,000 last year, which was mainly attributable to the stabilized economic conditions and the gradual picking up sales volume. In 2013, Chile's domestic demand supported the further improvement of labor market and continues to shore up confidence of consumers and investors, resulting in the continuous growth of Chile's economy. In 2013, Argentina's economy shown slightly better growth, which was mainly attributable to industrial activities resulting in the further recovery in demand and continuous commodity prices. Panama's economy gradually became steady, and consumption gradually resumed its uptrend. Demand for "Tonka" products in these South American countries such as Chile, Panama and Argentina increased, which offset the slowing down in sales in Bolivia, Venezuela, Honduras and Uruguay due to prolonged European debt crisis and lingering impact of economic uncertainties, the decrease due to the cooling down economic prosperity of relevant countries because of industrial production slowed down. At the same time, orders for lighting products recorded an increase in South American markets, and the overall turnover had increased.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2013, the Group had cash and cash equivalents of approximately HK$54,536,000 (2012: HK$43,305,000). During the year under review, the Group obtained banking facilities in a total of approximately HK$126,200,000 (2012: HK$126,200,000) 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 the Group.

As at 31st December, 2013, the Group had bank borrowings of approximately HK$26,275,000 (2012: HK$25,805,000). The Group's gearing ratio, representing the total debt (sum of bank borrowings and loan from ultimate holding company) divided by equity attributable to the owners of the Company, was 9.7% (2012: 18.9%).

During the year, net cash generated from operating activities amounted to approximately HK$67,211,000 (2012: HK$64,244,000). 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$34,091,000 (2012: HK$43,758,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash generated from operations. As at 31st December, 2013, capital commitment authorised but not contracted for amounted to approximately HK$224,000 (2012: HK$904,000).

Assets and Liabilities

At 31st December, 2013, the Group had total assets of approximately HK$877,388,000 (2012: HK$853,870,000), total liabilities of approximately HK$260,101,000 (2012: HK$342,705,000) and equity attributable to the owners of the Company of approximately HK$617,287,000 (2012: HK$511,165,000). The net assets of the Group increased approximately 21% (2012: increased 1.2%) to approximately HK$617,287,000 as at 31st December, 2013 (2012: HK$511,165,000).

Significant Investments and Acquisition

There was no significant investment and acquisition for the year ended 31st December, 2013.

Significant Disposal

There was no significant disposal for the year ended 31st December, 2013.

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, 2013, the Group had a total of approximately 9,200 (2012: 10,600) employees in Hong Kong, Macau, PRC, Vietnam, Australia, Mexico, 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.

PROSPECT

The Group will adhere to its diversified strategy to motivate business growth, which includes research and development of new products, consolidating the existing product portfolio, seeking for new product categories and readjusting product prices to widen client base and enlarge market shares. For geographical coverage, other than traditional toy markets like North America and Europe, the Group has further expanded into another emerging market leveraged on its accumulated market experience. The implementation of these plans has generated new momentum for growth. Along with the Vietnam production base which has established new facilities and upgraded its production capacities, further accomplishment will be made.

The advantages of plants in Vietnam will still continue due to its current labor supply and labor costs as compared with those in Mainland China. The management of the Group is confident that the Group could further consolidate its own market position by grasping this opportunity when competitors with weaker strengths will exit the market one after another due to cost increases, thereby grasping the American economic recovery trend and emerging market business opportunities. The Group expects that this favorable environment factor will continue, so as to further improve the impact that clients may place orders directly to other competitors having plants in South-east Asian countries. In addition, the Group will take various new measures to enhance productivity, including replacing inefficient machineries with high maintenance costs, streamlining production processes, revising working regulations and standards and exploring potential opportunities to rationally use seasonally idle production capacity. In view of the fact that Vietnam will raise its minimum wage, the management will continue to endeavor improving productivity and managing production costs.

The Group is deeply aware of the importance to invest its working capital in business development. In order to explore selling opportunities in the global market, the Group continues to develop the renowned ODM brand businesses and expand its sales and distribution networks for its self-owned brand manufacturing products, in order to provide its clients with innovative products under the brands of "Gazillion ® Bubbles" and "Tonka". Moreover, the economic boom in its major sale markets such as US, Canada, Australia and New Zealand is expanding, which offer favorable marketing environment. For its lighting business, since many countries such as the US has started using LED to replace traditional bulbs, the Group is facing with numerous good opportunities. Therefore, the Group is cautiously optimistic about its prospect.

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 maximise 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 a new corporate governance code (the "CG Code") and amended it from time to time, which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Listing Rules on the Stock Exchange.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the CG Code and their own code except the deviation from the code provision A.4.1 that none of the existing non-executive directors of the Company is appointed for a specific term. However, as all the non-executive directors of the Company (including independent non-executive) are subject to retirement provision under the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code as well. As the Company purchased an insurance cover in respect of legal action against its directors, the deviation of the code provision A.1.8 no longer existed.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had amended its code for securities transactions by directors of listed issuers as the code of conduct governing directors' securities transactions in August 2013 in compliance with the amended Appendix 10 to the Listing Rules (the "Model Code").

All Directors of the Company during the year, following specific enquiry by the Company, have confirmed that they have complied with the required standard set out in the Company's own code and the amended Model Code throughout the year.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Peony Room, Crowne Plaza Hotel & Suites Landmark Shenzhen, No. 3018, Nanhu Road, Shenzhen on 7th May, 2014 at 2:30 p.m.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5th May, 2014 to 7th May, 2014, both days inclusive for the entitlement to attend the AGM, and be closed on 13th May, 2014 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 (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effective from 31st March, 2014) not later than 4:30 p.m. on 2nd May, 2014. 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 12th May, 2014.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31st December, 2013, 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 2013 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. Cheng King Cheung, 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, 20th March, 2014