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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)

2014 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, 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Revenue	3	**1,160,119**	1,034,079
Cost of sales	4	**(714,362)**	(650,021)
Gross profit		**445,757**	384,058
Other income		**3,485**	1,183
Other losses		**(5,729)**	(5,110)
Distribution and selling costs	4	**(154,411)**	(157,640)
Administrative expenses	4	**(140,450)**	(120,728)
Research and development costs	4	**(22,215)**	(16,370)
Operating profit		**126,437**	85,393
Finance costs		**(1,353)**	(2,368)
Profit before taxation		**125,084**	83,025
Income tax (expense)/credit	5	**(7,186)**	15,021
Profit for the year attributable to owners of the Company		**117,898**	98,046

* *For identification purpose only*

	Note	**2014**	2013
		HK$'000	*HK$'000*
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**1,640**	(5,754)
Other comprehensive income/(loss) for the year, net of tax		**1,640**	(5,754)
Total comprehensive income for the year attributable to owners of the Company		**119,538**	92,292
Earnings per share for profit attributable to owners of the Company during the year (expressed in HK cents per share)			
Basic	*7*	**16**	13
Diluted	*7*	**16**	13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**187,469**	196,722
Leasehold land and land use rights		**14,685**	15,201
Intangible assets		**96,822**	96,822
Deferred tax assets		**5,465**	4,577
Prepayments	8	**–**	95
		304,441	313,417
Current assets			
Inventories		**310,443**	309,390
Trade and other receivables and prepayments	8	**193,962**	199,572
Tax receivable		**19**	473
Cash and cash equivalents		**68,417**	54,536
		572,841	563,971
Total assets		**877,282**	877,388
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**75,620**	75,573
Reserves		**601,986**	541,714
Total equity		**677,606**	617,287

	Note	**2014**	2013
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**540**	246
Loan from ultimate holding company		**–**	33,766
		540	34,012
Current liabilities			
Trade and other payables and accruals	*9*	**152,633**	167,077
Tax payables		**21,145**	32,737
Bank borrowings		**25,358**	26,275
		199,136	226,089
Total liabilities		**199,676**	260,101
Total equity and liabilities		**877,282**	877,388
Net current assets		**373,705**	337,882
Total assets less current liabilities		**678,146**	651,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2014

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 (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19th March, 2015.

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.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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, 2014 and are relevant to the Group's operations.

HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – novation of derivatives
HKFRS 10, HKFRS 12, and HKAS 27 (Amendment)	Consolidation for investment entities
HK(IFRIC) – Int 21	Levies
HKAS 19 (Amendment)	Defined benefit plans: Employee contributions
Annual Improvements Project	Annual improvements 2010-2012 cycle
Annual Improvements Project	Annual improvements 2011-2013 cycle

The adoption of the above amendments and interpretations to standards has no significant impact on the results and financial position of the Group.

(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:

		Effective for accounting period beginning on or after
HKAS 16 and HKAS 38 (Amendment)	Acceptable methods of depreciation and amortisation	1st January, 2016
HKAS 16 and HKAS 41 (Amendment)	Bearer plants	1st January, 2016
HKAS 27 (Amendment)	Equity method to account for investments in subsidiaries, joint ventures and associates	1st January, 2016
HKAS 28 and HKFRS 10 (Amendment)	Sale and contribution of assets between an investor and its associate or joint venture	1st January, 2016

		Effective for accounting period beginning on or after
HKFRS 11 (Amendment)	Acquisitions of interests in joint operation	1st January, 2016
HKFRS 9	Financial instruments	1st January, 2018
HKFRS 14	Regulatory deferral accounts	1st January, 2016
HKFRS 15	Revenue from contracts with customers	1st January, 2017
Annual Improvements Project	Annual improvements 2012-2014 cycle	1st July, 2016

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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Group's first financial year commencing on or after 3rd March, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 CODM 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 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.

The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the profit or loss and financial position.

There are two main businesses of the Group, including toys and lighting business. The CODM did not consider the lighting business as a separate segment for the year as it is at the early stage of operations and is not material.

Segment revenues and results

For the year ended 31st December, 2014

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	Other locations *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	1,019,862	20,170	12,261	55,918	14,504	24,657	12,747	1,160,119
RESULTS								
Segment profit	210,129	(566)	337	10,818	2,053	2,542	1,612	226,925
Unallocated income								967
Unallocated expenses								(101,455)
Finance costs								(1,353)
Profit before taxation								125,084

For the year ended 31st December, 2013

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	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

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

Segment profit represents the profit before taxation 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, 2014

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	Other locations *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	**427,392**	**9,333**	**4,191**	**14,099**	**5,178**	**7,330**	**51,568**	**519,091**
Property, plant and equipment								**187,469**
Leasehold land and land use rights								**14,685**
Unallocated and other corporate assets								**156,037**
Total assets								**877,282**
LIABILITIES								
Segment liabilities	**81,347**	**1,538**	**826**	**3,725**	**966**	**1,845**	**9,327**	**99,574**
Unallocated and other corporate liabilities								**100,102**
Total liabilities								**199,676**

As at 31st December, 2013

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	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
Leasehold land and land use rights								15,201
Unallocated and other corporate assets								161,188
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								141,007
Total liabilities								260,101

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 neither included in segment assets nor segment results and are not reviewed by the CODM regularly.

Revenue from major products

	2014	2013
	HK$'000	*HK$'000*
Toys	**1,123,123**	947,944
Lighting products	**36,996**	86,135
	1,160,119	1,034,079

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 is detailed below:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**120**	1,313
Vietnam	**105,706**	118,246
The United States	**17,008**	10,467
PRC	**77,594**	81,873
Other countries	**1,726**	119
	202,154	212,018

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

4. Expenses by nature

	2014	2013
	HK$'000	*HK$'000*
Raw materials and consumables used	**388,714**	363,542
Changes in inventories of finished goods and work-in-progress	**(30,272)**	(13,544)
Employee benefit expense	**330,996**	291,018
Depreciation of property, plant and equipment	**40,775**	39,964
Amortisation of intangible assets	**–**	5,457
Operating lease expenses	**20,516**	14,213
Losses on disposals of property, plant and equipment	**961**	–
Advertising costs	**19,787**	15,887
Auditor's remuneration	**5,270**	4,000
Amortisation of leasehold land and land use rights	**516**	513
Royalty expenses	**49,145**	43,127
Marketing expenses	**19,292**	23,414
Freight charges	**41,050**	29,269
Other expenses	**144,688**	127,899
	1,031,438	944,759

Representing:

Cost of sales	**714,362**	650,021
Distribution and selling costs	**154,411**	157,640
Administrative expenses	**140,450**	120,728
Research and development costs	**22,215**	16,370
	1,031,438	944,759

5. Income tax (expense)/credit

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**(4,174)**	(625)
– Other jurisdictions	**(3,971)**	(1,330)
Over provisions in prior years *(Note (iv))*		
– Hong Kong	**257**	18,017
– Other jurisdictions	**108**	201
Deferred tax	**594**	(1,242)
	(7,186)	15,021

(i) Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 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.

(ii) Pursuant to the relevant Vietnam enterprise income tax rules and regulations, the applicable tax rates for subsidiaries operating in Vietnam range from 7.5% to 22% (2013: 7.5% to 25%) for the year.

(iii) The United States enterprise income tax rate for subsidiaries operating in the United States of America is 34% (2013: 34%) since the date of operation.

(iv) 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 and submitted a settlement proposal to the IRD in 2011, which was accepted by the IRD in 2013. The IRD issued final tax assessments to 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. Dividends

The dividends paid in 2014 and 2013 were HK$60,477,000 (HK8 cents per share) and HK$24,939,000 (HK3.3 cents per share) respectively. A dividend in respect of the year ended 31st December, 2014 of HK6 cents (2013: HK5 cents) per share, amounting to approximately HK$45,372,000 (2013: HK$37,791,000), is to be proposed at the forthcoming annual general meeting. The financial statements do not reflect this dividend payable as the final dividend was proposed after the date of statement of financial position and will be accounted for in equity as an appropriation of retained profits in the year ending 31st December, 2015 when approved at the forthcoming Annual General Meeting.

	2014	2013
	HK$'000	*HK$'000*
Interim dividend paid of HK3 cents (2013: HK2 cents) per ordinary share	**22,686**	15,115
Final dividend proposed of HK6 cents (2013: HK5 cents) per ordinary share	**45,372**	37,791
	68,058	52,906

7. 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.

	2014	2013
Profit for the year attributable to owners of the Company *(HK$'000)*	**117,898**	98,046
Weighted average number of ordinary shares in issue *(thousands)*	**756,025**	750,760
Basic earnings per share *(HK cents)*	**16**	13

(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.

	2014	2013
Profit for the year attributable to owners of the Company *(HK$'000)*	**117,898**	98,046
Weighted average number of ordinary shares for the purpose of basic earnings per share *(thousands)*	**756,025**	750,760
Effect of dilutive potential ordinary shares:		
Share options *(thousands)*	**275**	2,734
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**756,300**	753,494
Diluted earnings per share *(HK cents)*	**16**	13

8. Trade and other receivables

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**161,330**	176,982
Less: Allowance for doubtful debts	**(4,690)**	(4,346)
	156,640	172,636
Prepayments	**17,059**	4,579
Deposits and other receivables	**20,263**	22,452
	193,962	199,667
Less: non-current portion: Prepayments	**–**	(95)
Current portion	**193,962**	199,572

The Group allows a credit period of 14 to 90 days to its trade customers. An ageing analysis of trade receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 60 days	**112,163**	142,565
61 – 90 days	**42,512**	23,692
More than 90 days	**1,965**	6,379
	156,640	172,636

9. Trade and other payables and accruals

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

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**77,278**	91,213
Other payables and accruals	**75,355**	75,864
	152,633	167,077

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

	2014	2013
	HK$'000	*HK$'000*
0 – 60 days	**51,453**	58,255
61 – 90 days	**19,737**	14,065
More than 90 days	**6,088**	18,893
	77,278	91,213

10. Capital commitments

	2014	2013
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Authorised but not contracted for	**–**	224

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, 2014, together with the comparative figures for the corresponding year in 2013.

As at 31st December, 2014, the Group's consolidated revenue increased by approximately HK$126,040,000 or 12.2% to approximately HK$1,160,119,000 from HK$1,034,079,000 in the last year. The profit attributable to the owners of the Company increased by approximately HK$19,852,000 or 20.2% to approximately HK$117,898,000 from approximately HK$98,046,000 of last year.

During the year under review, the global economy improved, particularly with the gradual improvement of employment, a lower unemployment rate, steadily increasing wages, more job opportunities in major markets in the United States, as well as the fall in energy prices, rise of asset values and deregulation of consumer credit, and the rebounded the United States Consumer Confidence Index. According to a survey by NPD, an authoritative market research company, the overall retail sales of the United States retail toy industry in the first six months of the year increased as compared with the same period of last year. The Group seized the opportunity to motivate business growth by expanding and enhancing its core toy business and adopting a diversified expansion strategy for better sales and revenue. Original Equipment Manufacturing ("OEM") was still the Group's core business. The Group continued to maintain its long-term business relationships with the owners and franchise users of world-renowned cartoon characters which could generate a steady source of income for the Group. Considering the growing popularity of "My Little Pony", the Group positioned itself to target the mass market in an attempt to seek more room for development. In respect of product mix, the Group strategically improved the varieties of plush toys to fully utilise production capacity and improve profitability. Basing on its own research and development capabilities, the Group continued to strengthen its solid cooperative partnership with existing brand licensed customers of well-known toy products in the international market, further developing its well-known brand products and continuously enriching the product lines. Additionally, in an effort to broaden the range of products for renowned the United States toy retailers with huge distribution networks and to develop new business opportunities for our customers, the Group has incorporated more novel design elements into its products, while applying new materials and new functions to strengthen its product mix and develop new product lines. Not only the sales growth was maintained, but also the revenue from the United States market increased. Moreover, the Group has improved its marketing strategy to increase the product orders placed by the major customers, in order to increase its sales while maintaining the growth trend. Although the sales of the lighting products were affected by the modified regulations on specification, the Group recorded an increase in overall sales volume.

During the year under review, driven by the increase in product sales, the investment in product design, development and moulds was utilized more effectively, and the gross profit margin was improved. Furthermore, the material price and RMB exchange rate remained relatively stable. Coupled with the relatively low labor costs in Vietnam, the Group actively reorganized its human resources structure, replaced inefficient production facilities and streamlined its production process to achieve a more cost-effective production and improve the overall production efficiency, which have in turn increased the operation performance of our plants. Besides, the Group refined its purchasing strategy through optimizing the structure of the purchasing process system, controlling the seasonal goods, shortening the purchasing deadline, as well as bargaining for discounts, with an aim to further control and save costs. The Group still recorded a net profit increase despite more spending on research, product development and marketing, and more spending on other recurring operating expenses in line with sales volume as compared with last year.

DIVIDENDS

During the year, the Company paid an interim dividend of HK3 cents in cash (2013: HK2 cents in cash) per share to the shareholders. The Directors have resolved to recommend the payment of a final dividend of HK6 cents (2013: HK5 cents) per share for the year ended 31st December, 2014, payable to shareholders whose names appear on the Register of Members of the Company on 19th May, 2015. Together with the interim dividend paid of HK3 cents per share, the total dividend per share for the year is HK9 cents (2013: HK7 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 27th May, 2015 in cash.

BUSINESS REVIEW

The Group's principal business includes Original Equipment Manufacturing ("OEM") based business, Original Design Manufacturing ("ODM") based business and Own Brand Manufacturing ("OBM") based business. With its Vietnamese factories as the core production base, the Group also provides customers with diversified manufacturing services including design, prototyping, moulding, product validation, multi-skilled manufacturing, general assembly and packaging. With multi-functional production lines and professional engineering experience, the Group manufactured a diverse array of products, targeting the global market based on sales to the United States which is our largest export market. By establishing diversified business platforms in different regions, the Group further decentralized the risks that arise from the industries and markets where it operates. During the year under review, the Group improved its business strategy in responding to the changes of the toy manufacturing industry by the development of world-renowned brands, efficient production management and global distribution channels.

The Group entered into licensed brand production contracts with foreign well-known retailers and license holders in the United States to focus on more profitable production lines, and explored opportunities for co-operation across various regions and product categories in an active manner. The Group will continue to seek opportunities to expand its customer base through product development and marketing cooperation. The Group has such major clients as world-famous toy brands and it distributes its products mainly in North America and Western Europe. Although affected by new electronic products such as tablet devices, the sales increased as the Group actively enhanced its product values, explored opportunities for co-operation across various regions and product categories. The Group also followed the market trends and kept close relationship with the famous OEM clients to provide high-quality products.

Manufacturing operation

The Group's production base in Vietnam enjoys various advantages in terms of labor costs and supply as well as the production cost. In view of the expectation that such favorable environment factors will continue, the Group remained optimistic about the growth of the plants in Vietnam and would continue to expand its production capacity. Moreover, the Group implemented various new measures to enhance its productivity, such as consolidating the plants to alleviate cost pressures, revising the working regulations and standards, as well as exploring potential opportunities to utilize the seasonal idle production capacity so as to ensure steady development of the business.

To cope with the increasing concerns from overseas markets on product safety and environmental protection, particularly the significant amendments to certain regulations related to product safety, the Group continued to learn and to adopt new methods and techniques to prevent quality and safety issues, and pay close attention and monitor the changes in safety standards and regulations in different markets to ensure compliance with the new requirements, with an aim to ensuring our operating production base to be qualified continuously.

Segment performance

Given the strong recovery of the United States (the "US") and Canadian markets as the adverse factors subside, coupled with the economic recovery of the emerging markets due to the gradually increasing global demand, potential business opportunities arose. The management actively sought and successfully secured new orders from existing customers. The sales continued to increase as the Group was able to actively enrich its product categories and mix for its authorized 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 launch various new products series, explore new sales channels and introduce new sales plans. With the increasing popularity of plush toys "My Little Pony", the Group positioned itself to target the mass market, so as to get more room for development. With respect to product portfolio, the Group strategically broadened the range of types of large plush toys to make full use of production capacity and improve profitability. Sales, especially sales of plush toys, thus increased. With its existing marketing plans for "Tonka" and "My Little Pony" products, the market demand for the "Tonka" products, a new series of "My Little Pony" and "girls role-playing" products were satisfactory.

Given the fact that development and sales of lighting brand business during the year were affected by the amendments to specifications, the Group, in order to minimise the adverse effect, continuously integrated its inventory, actively refined its products, changed its marketing structure, studied the feasibility of other new products and expanded its distribution channels. In addition, the US government issued a number of significant amendments to the Consumer Product Safety Improvement Act from time to time with an aim to improving the safety of imported consumer goods. Toy safety is still the most concerned issue wherever in developed or emerging markets. Besides the Group continued to monitor on the compliance with statutory regulations related to product safety, the Group also focuses on quality and design to improve the value of products.

The United States ("US")

The United States was still a major export market for the Group's toy products. Our turnover increased by approximately HK$161,259,000 or 18.8% to HK$1,019,862,000 this year from approximately HK$858,603,000 last year. Benefiting from decrease of the unemployment rate and the steady growth of wages level, the real estate market was improved, the financial condition of households improved and consumer confidence increased. Moreover, worries about the US economy's growth was relieved significantly due to the sustainable increase of new jobs, as well as the declining commodity price. Therefore, the Group's major clients in the US – large chain stores including Wal-Mart and Target, further secured the toy industry market share. Capturing the momentum of economic recovery, the Group continued its research and development and strengthened its design capabilities to create value-added toy products, particularly the plush products "My Little Pony". The Group maintained solid partnerships with its clients in the current OEM business and ODM business. With the continuous development and exploration of new distribution channels to market for its products under the authorized licensing business brand "Tonka" and "My Little Pony", the self-owned brand "Gazillion ® Bubbles" and other "girls role-playing" products series, the overall turnover generated from the US market had increased. The Group will strive to maintain the authorized 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$8,393,000 or 17.7% to HK$55,918,000 this year from approximately HK$47,525,000 last year. As the US economy picked up, employment continued to improve, and investment and manufacturing activities had been revived, which boosted consumer demand. Canada's economic outlook remained positive. Additionally, employment in Canada continued to improve which further pushed down the unemployment rate, providing support to its domestic enterprises and consumers. Benefiting from its sustained growth in employment, the US economic recovery and the continuous increase of commodity price, the Canada economy grew at an accelerated pace, providing support to its domestic enterprises and consumers, which had in turn facilitated the sales of consumer goods. Clients' demand for the authorized licensing business brand "Tonka" products and "Gazillion ® Bubbles" has maintained strong, resulting in a growth in the turnover from the 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$12,383,000 or 38.0% to approximately HK$20,170,000 this year from approximately HK$32,553,000 last year. The economic environment in Europe, especially retail and distribution activities, was subject to uncertainties caused by the political crisis in the Crimean Peninsula, which cast doubts on the industry recovery and exports increase. Moreover, the uncertainties of the sovereign debt crisis diminished corporate and consumer confidence. Nevertheless, with the continued recovery signs in countries such as Estonia, France, UK and Italy as the easing monetary policy took effect which generated positive effects on local consumption, coupled with the strengthened consumer confidence and improved business prospects in Netherlands, the economic growth will be hopefully rebounding. As a result, turnover in the aforesaid sales markets recovered, however, it failed to offset the decrease in the turnover in Russia, Poland, Sweden and Denmark. The Russian economy was affected by its heavy reliance on commodity exports, sluggish investment and the lack of competitiveness. Besides, coupled with weak consumption, further slowed down Russia's economic growth. Furthermore, the sales of lighting products were affected by the modification of product specifications and the transitional period with respect to change in marketing strategy. Thus the overall turnover in the European markets recorded a decrease.

Mexico

Our turnover in Mexico decreased by approximately HK$2,200,000 or 15.2% to approximately HK$12,261,000 this year from approximately HK$14,461,000 last year. The performance of Mexico is highly related to that of the United States. The Mexican economy gained fresh impetus from the continuous recovery of the United States economy, easing fiscal and monetary policies, the structural reforms in energy, telecommunications, labour and financial markets, as well as the record low interest rates which would continue to boost consumption and investment sentiment. Nevertheless, due to fewer product orders, the overall turnover of the Mexican market recorded a decrease.

Australia and New Zealand

Our turnover in the Australia and New Zealand markets decreased by approximately HK$11,011,000 or 30.9% to approximately HK$24,657,000 this year from approximately HK$35,668,000 last year. Given the higher unemployment rate and fragile corporate confidence, Australia witnessed a fall in the consumer sentiment index as consumers were concerned about the economic outlook and job security. Retail sales experienced slower growth. Furthermore, orders for our lighting products in the Australia and New Zealand markets fell down due to the influence of the transitional period of changing sales strategies and an Australian client placed fewer orders for our products. Although customer's demand for Tonka products remained stable, the overall turnover recorded a decrease. The Group will continue its endeavour to retain its existing distributors and clients, such as Target.

South America

Our turnover in South America markets decreased by approximately HK$11,923,000 or 45.1% to approximately HK$14,504,000 this year from HK$26,427,000 last year, which was mainly attributable to the decrease in orders as a result of economic slowdown. The economic growth of Chile slowed down due to the weakness in global commodity prices and the stagnation in mining investments. Economic headwinds affected employment and industrial activities. Consumer demand and retail sales growth turned weaker at the end of the year. After the 2014 FIFA World Cup Brazil, as a result of plummeting commodity prices, shrinking industrial production, as well as deteriorating productivity and infrastructures, economic development in Brazil stalled and demand for commodities was weak. Due to economic uncertainties, demand for products in Chile, Panama and Brazil fell. The decrease in sales thereby offset the increase in the demand for products in Bolivia, Costa Rica and Ecuador. At the same time, orders for lighting products recorded a decrease in South America markets, and the overall turnover decreased.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2014, the Group had cash and cash equivalents of approximately HK$68,417,000 (2013: HK$54,536,000). During the year under review, the Group obtained banking facilities in a total of approximately HK$151,200,000 (2013: HK$126,200,000) of which HK$120,000,000 was supported by corporate guarantee and HK$31,200,000 was secured under floating charge on certain assets of the Group.

As at 31st December, 2014, the Group had bank borrowings of approximately HK$25,358,000 (2013: HK$26,275,000). 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 3.7% (2013: 9.7%).

During the year, net cash generated from operating activities amounted to approximately HK$140,690,000 (2013: HK$67,210,000). 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$32,443,000 (2013: HK$34,091,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash generated from operations. As at 31st December, 2014, capital commitment authorised but not contracted for amounted to approximately HK$ nil (2013: HK$224,000).

Assets and Liabilities

At 31st December, 2014, the Group had total assets of approximately HK$877,282,000 (2013: HK$877,388,000), total liabilities of approximately HK$199,676,000 (2013: HK$260,101,000) and equity attributable to the owners of the Company of approximately HK$677,606,000 (2013: HK$617,287,000). The net assets of the Group increased by approximately 9.8% (2013: increased by 20.8%) to approximately HK$677,606,000 as at 31st December, 2014 (2013: HK$617,287,000).

Significant Investments and Acquisition

There was no significant investment and acquisition for the year ended 31st December, 2014.

Subsequent Event

On 29th January, 2015, Assetnet Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with Shenzhen Shouxi Property Investment Development Company Limited (the "Purchaser"), an independent third party, in relation to the disposal of the entire issued share capital of Shelcore Hong Kong Limited, an indirect wholly-owned subsidiary of the Company which holds a piece of land and buildings in Shenzhen. As at the date of this announcement, the Vendor is still in the process of discussing and negotiating the terms and conditions with the Purchaser.

Significant Disposal

There was no significant disposal for the year ended 31st December, 2014.

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 deposits 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 arise.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2014, the Group had a total of approximately 11,600 (2013: 9,200) employees in Hong Kong, Macau, PRC, Vietnam, Australia, Mexico, the United States 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 expects that the business opportunities brought by the United States economic recovery will continue to prevail. It will continue to develop the ODM brand businesses and expand its distribution network and increase markets for its self-owned brand products, in order to provide its clients with innovative products under the brands of “Gazillion ® Bubbles”, “Tonka” and “My Little Pony” and increase sales. Looking ahead, we expect that the United States economy will keep the uptrend in the coming year as the energy prices fall, the unemployment rate decreases, wages grow steadily, the real estate market improves, the financial situation of households improves and consumer confidence increases. Although quantitative easing stimulus weakened, it is expected that sustained low interest rates will continue to drive consumer spending and business investments, and economic growth is expected to accelerate. By drawing on the momentum of economic recovery, the Group will explore co-operative opportunities across different regions and product categories to boost sales growth. The Group will also concentrate on the research and development of more self-owned brand products and the marketing strategies of expanding products in laying a solid foundation for expanding its future distribution. The Group will integrate the inventory, strive to improve its products, study the feasibility of other new products and expand its distribution channels with an aim to expand its geographical coverage and secure orders from clients. Adjustment will be made to the lighting products business progressively to cope with the modification of new lighting-product specifications, and marketing personnel in Europe and Australia will be increased to support the sales of lighting products with new specifications, hence, the Group is confident that the sales will be improved and the influence will be minimized as a result.

Looking ahead, the Group’s ultimate goal will be to continue maintaining 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 WITH THE CORPORATE GOVERNANCE CODE (THE “CG”)

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 period under review, in compliance with the HKEx Code and CG Code except for the deviations from code provisions A.4.1, A.6.7 and E.1.2 which are explained as follows:

i) under the code provision A.4.1 that none of the existing non-executive directors of the Company is appointed for a specific term. However, as all the non-executive directors of the Company (including independent non-executive) are subject to retirement provision under the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the HKEx Code and CG Code as well;

ii) under the code provision A.6.7, Dr. Loke Yu alias Loke Hoi Lam, independent non-executive director was unable to attend the annual general meeting of the Company held on 7th May, 2014 (the "2014 AGM") due to his conflicting business schedule;

iii) under the code provision E.1.2, Mr. Cheng Yung Pun, the chairman of the Board and the Nomination Committee and Dr. Loke Yu alias Loke Hoi Lam, the chairman of the Audit and Remuneration Committees were unable to attend the 2014 AGM due to conflicting business schedules. All other members of the Audit, Nomination and Remuneration Committees and three executive directors had attended the 2014 AGM and one of them had been nominated as chairman of the AGM. The Company considers that the presence is sufficient for (i) answering questions from and (ii) effective communication with the shareholders of the Company present at the 2014 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

ANNUAL GENERAL MEETING

The 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 13th May, 2015 at 2:30 p.m.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11th May, 2015 to 13th May, 2015, both days inclusive for the entitlement to attend the AGM, and be closed on 19th May, 2015 for the final dividend entitlement, during such periods no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 8th May, 2015. 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 18th May, 2015.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31st December, 2014, 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 2014 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, 19th March, 2015