MATRIX

Matrix Holdings Limited

美力時集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 1005

MATRIX

Funrise

VIRIBRIGHT

FernHoward

Annual Report

2021

Our Mission

- **Enhance customer satisfaction** through delivery of high quality products that meet **world safety standard**
- Be **environmentally responsible** in all its manufacturing processes through **recycling** and **adherence** to international environmental protection laws
- Be a **socially responsible employer** by providing **safe and pleasant** working environment to workers
- Optimise shareholders' **business growth, diversification** and **productivity enhancement**

Content

Corporate Profile

Danang City, Vietnam
First Plant

Danang City, Vietnam
Second Plant

MATRIX is a well-established manufacturer of plastic, die-cast and plush toys, with vertically integrated production process including mould making, manufacturing and design and a manufacturer of lighting products. Currently, the Group operates four plants in Vietnam. As at 31 December 2021, the Group employed approximately 5,600 staff in Hong Kong, the PRC, Vietnam, Australia, the United States of America, Canada, Taiwan, Mexico and Europe. The well-established toy companies in designing, manufacturing and selling plastic toys – The Shelcore and the Funrise Group, and two overseas lighting companies were merged into the Group in 2005, 2007 and 2017 respectively.

Danang City, Vietnam
Third Plant

Vinh City, Vietnam
Fourth Plant

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun *(Chairman)*
Cheng King Cheung
Tsang Chung Wa
Tse Kam Wah
Yip Hiu Har

Independent Non-executive Directors

Loke Yu alias Loke Hoi Lam
Mak Shiu Chung, Godfrey
Heng Victor Ja Wei

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Loke Yu alias Loke Hoi Lam *(Chairman)*
Mak Shiu Chung, Godfrey
Heng Victor Ja Wei

NOMINATION COMMITTEE

Cheng Yung Pun *(Chairman)*
Loke Yu alias Loke Hoi Lam
Mak Shiu Chung, Godfrey
Heng Victor Ja Wei

COMPANY SECRETARY

Lai Mei Fong
Lo Siu Ting

AUDITOR

RSM Hong Kong
Registered Public Interest Entity Auditors
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

REGISTERED OFFICE

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

SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue Hamilton
HM 12 Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

WEBSITE

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

STOCK CODE

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

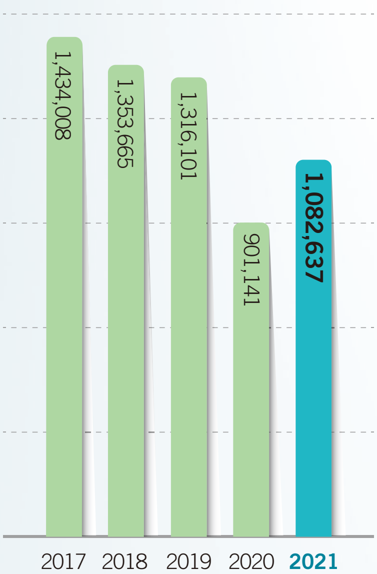
Financial Highlights

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

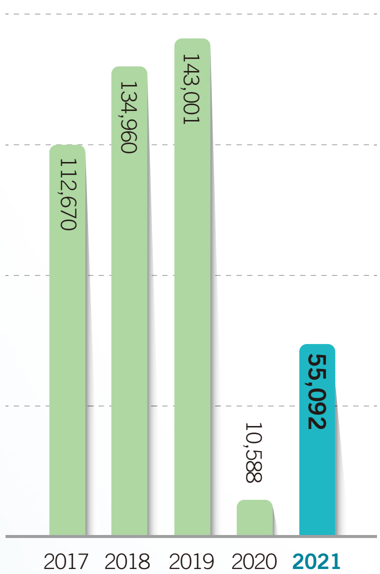
CONSOLIDATED

(HK$'000, expect where otherwise stated)	**2021**	**2020**	**%Change**
Revenue	**1,082,637**	901,141	20.1
Gross profit	**441,977**	351,159	25.9
Profit for the year attributable to owners of the Company	**55,092**	10,588	420.3
Earnings per share – Basic	**HK7 cents**	HK1 cent	600.0
Dividend per share			
Interim, paid	**HK2.0 cents**	HK1.5 cents	33.3
Final, proposed	**HK6.0 cents**	HK4.0 cents	50.0
Gross Profit Margin (%)	**40.8**	39.0	4.6
Net Profit Margin (%)	**5.1**	1.2	3.3
Gearing Ratio (%)	**0.7**	1.1	-36.4
Current Ratio	**3.2**	3.9	-17.9
Quick Ratio	**1.7**	2.3	-26.1

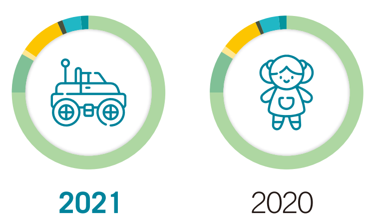
REVENUE



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

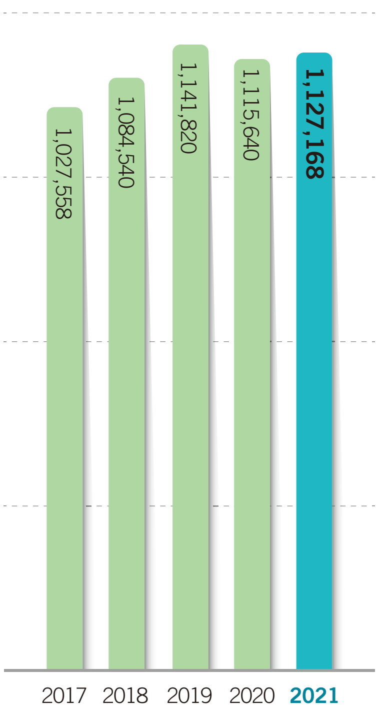


REVENUE BREAKDOWN BY MARKET

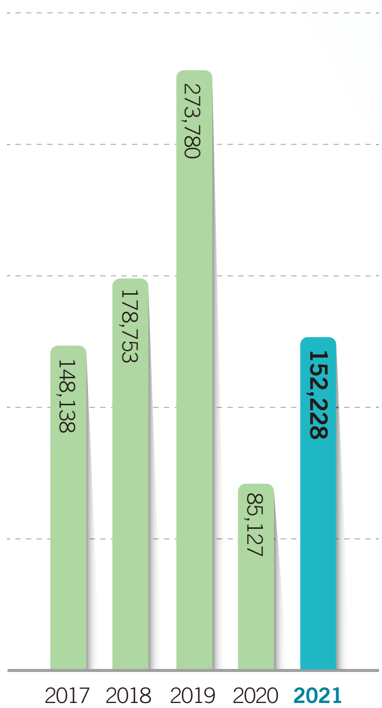


	2021	2020
United States	**75.2%**	75.2%
Europe	**8.2%**	8.7%
Mexico	**1.2%**	1.5%
Canada	**8.9%**	8.2%
South America	**1.1%**	0.8%
Australia and New Zealand	**3.8%**	4.1%
Others	**1.6%**	1.5%

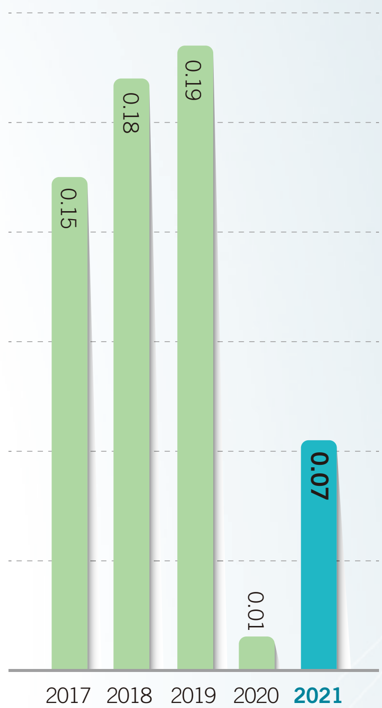
NET ASSETS



EBITDA



BASIC EARNINGS PER SHARE



DEFINITIONS

Gross Profit Margin (%)	=	Gross Profit / Revenue	x 100%
Net Profit Margin (%)	=	Profit for the year attributable to owners of the Company / Revenue	x 100%
Gearing Ratio (%)	=	Total Debt / Total Equity	x 100%
Current Ratio	=	Current Assets / Current Liabilities	
Quick Ratio	=	Current Assets excluding Inventories / Current Liabilities	

Chairman's Statement

To Our Shareholders,

I am pleased to present to our shareholders the annual report of Matrix Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2021.

For the year of 2021 (the "year"), the Group's consolidated revenue increased by approximately HK$181,496,000 or 20.1% to approximately HK$1,082,637,000 from approximately HK$901,141,000 of last year. The profit attributable to the owners of the Company amounted to approximately HK$55,092,000, representing an increase of 420.3% as compared with the last year's profit in approximately HK$10,588,000.

The worldwide spread of omicron variant hindered the economic recovery in 2021. Many countries noted record high novel coronavirus disease (COVID-19) confirmed cases and strengthened social distancing restrictive measures. Some production plants were negatively impacted by the omicron outbreak. Nevertheless, the Company prudently manages its financial and cash position to mitigate the risk exposure caused by COVID-19 pandemic. The overall financial position of the Group remains sound and robust.

Lastly, I would like to express my sincere appreciation to all of our stakeholders, including shareholders, customers, business partners and suppliers, for their continuous support and trust in all aspects of the Group's activities. I would also like to express my gratitude to the management and the entire staff for their indispensable and enthusiastic contribution and commitment to the Group.

Cheng Yung Pun
Chairman
Hong Kong, 28 March 2022

Management Discussion and Analysis

RESULTS

During the year of 2021 (the "year"), the Group's consolidated revenue reported approximately HK$1,082,637,000, increased by approximately HK$181,496,000 or 20.1% as compared to approximately HK$901,141,000 of 2020 ("last year"). The profit attributable to the owners of the Company amounted to approximately HK$55,092,000, representing an increase of 420.3% as compared with the profit of approximately HK$10,588,000 last year.

DIVIDEND

During the year, the Company paid an interim dividend of HK2.0 cents (2020: HK1.5 cents) in cash per share to the shareholders. The Directors have resolved to recommend the payment of a final dividend of HK6.0 cents (2020: HK4.0 cents) in cash per share for the year ended 31 December 2021, payable to shareholders whose names appear on the Register of Members of the Company on 25 May 2022. Together with the interim dividend paid of HK2.0 cents per share, the total dividend per share for the year is HK8.0 cents (2020: HK5.5 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 6 June 2022 in cash.

FINANCIAL REVIEW

Revenue

Revenue of the year recorded approximately HK$1,082,637,000, increased by approximately 20.1% from last year as the Group strived to mitigate the negative impact caused by the outbreak of COVID-19.

Gross profit

The Group's gross profit for the year increased by approximately 25.9% to approximately HK$441,977,000 due to increase of sales.

Distribution and selling costs

Distribution and selling costs increased by approximately 10.8% to approximately HK$174,590,000 for the year. The increase was mainly attributable to the increase in royalty expenses.

Administrative expenses

Administrative expenses of the year increased by approximately 21.9% to approximately HK$154,169,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The increase resulted mainly from increase in depreciation of property, plant and equipment during the year.

Finance costs and income tax

Finance costs of the year decreased by approximately 13.2% to approximately HK$4,653,000 as compared to last year due to decrease in the interest of bank borrowings and lease liabilities. Income tax expense of this year recorded approximately HK$16,279,000 as compared to income tax expense of approximately HK$941,000 of last year due to increase in provision of income tax expense.

Research and development cost

Research and development (R&D) cost decreased by approximately 6.6% to approximately HK$21,529,000 for the year as less resources were allocated to conduct R&D for toys product during the year.

Trade receivables, prepayments, deposits and other receivables

Trade receivables of the year decreased by approximately 20.4% to approximately HK$185,482,000 as compared to last year, mainly due faster collection of trade receivables. Prepayment, deposit and other receivables increased by approximately 106.8% to approximately HK$170,015,000, due to increase in deposits for proposed acquisition of a target company.

Trade payables, accruals and other payables

Trade payables of the year increased by approximately 25.9% to approximately HK$71,961,000 as compared to last year, mainly due to the increase in purchase. Accruals and other payables increased by approximately 6.9% to approximately HK$96,497,000, due to increase in accrued employee benefit expenses and other payables and accruals.

Quick Ratio

The quick ratio of the year was lower than last year which resulted mainly from the decrease in trade receivables during the year.

Current Ratio

The current ratio of the year was lower than last year which resulted mainly from the decrease in trade receivables during the year.

Financial position and cash flows review

The Group's cash flow position remained healthy and the bank borrowings were maintained at a minimum level.

Liquidity and Financial Resources

As at 31 December 2021, the Group had bank and cash balances of approximately HK$164,076,000 (2020: HK$154,699,000). As at 31 December 2021, the Group obtained banking facilities in a total of approximately HK$70,000,000 (2020: HK$70,000,000) which was supported by corporate guarantee.

As at 31 December 2021, the Group had bank borrowings of approximately HK$7,911,000 (2020: HK$12,627,000).

The Group's gearing ratio, representing the total debt divided by total equity, decreased to 0.7% (2020: 1.1%) due to the decrease in bank borrowings during the year.

During the year, net cash generated from operating activities amounted to approximately HK$207,747,000 (2020: HK$120,241,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

Capital Expenditure and Commitments

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$32,699,000 (2020: HK$53,599,000) mainly to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

Assets and Liabilities

As at 31 December 2021, the Group had total assets of approximately HK$1,416,142,000 (2020: HK$1,374,342,000), total liabilities of approximately HK$288,974,000 (2020: HK$258,702,000) and equity attributable to owners of the Company of approximately HK$1,133,366,000 (2020: HK$1,121,383,000). The net assets of the Group increased by approximately 1.0% to approximately HK$1,127,168,000 as at 31 December 2021 (2020: HK$1,115,640,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

There was no significant investment and acquisition for the year ended 31 December 2021.

IMPORTANT EVENT

There was important corporate event for the year ended 31 December 2021 refer to Note 24.

EXCHANGE RATE RISK

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain bank balances, and trade and other receivables and prepayments, trade and other payable and accruals of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

BUSINESS REVIEW

The Group picked up the momentum of in the first half of 2021 due to the gradual economic recovery in global markets. However, the outbreak of omicron variant and surge in coronavirus infection hindered the recovery in the second half of 2021. Many countries tightened social distancing measures again and business activities were affected. Overall, the turnover and gross profit of the Group for the year recorded an increase. The Group has continued to strengthen cost controls and optimized use of manpower, compared to last year, marketing, selling and distribution costs decreased while administrative expenses and recurring operating expenses increased. The Group prudently managed its financial and cash position to overcome the operating environment during this period and to minimize the negative impact brought about by the COVID-19 pandemic.

Manufacturing operations

The Group maintains its main production base in Vietnam. Leveraging on its leading position in the industry and expansionary strategy in Vietnam, the Group has re-organised its plant processes and optimised the supply chain processes, resulting in lower production costs. With a view to enhancing its competitiveness, the Group increased its production capacity and quality by localising its production and management operations and improving its automatic production.

Segment performance

Due to continuing uncertainty and implementation of counter-COVID measures, business in many overseas markets did not recover to pre-pandemic levels during 2021. The rise in new infections led to more travel restrictions and lockdowns which inevitably affect consumption sentiment. Customers were cautious about placing orders. Focusing on overseas customers in the United States and Europe, the Group strived to retain customers by improving products and inventory management and therefore mitigate the negative impact caused by the COVID. The Group continues to uphold the proven strategy of its established brands. In addition, the Group has been actively launching new marketing campaigns for new toy products of brands such as “CAT”, “Fart Ninjas” and “Bright Fairy Friends”.

The US

The US was still a major export market for the Group’s products. Our revenue increased by approximately HK$136,597,000 or 20.2% to approximately HK$814,094,000 for the year from approximately HK$677,497,000 for the last year.

The US economy recorded a big rebound in 2021 with a strong GDP growth. Although the outbreak of Omicron and surge of confirmed case in late 2021 hindered the pace of recovery, the US government did not implement strict social distancing measures. Inflation has jumped, companies are struggling to find willing workers and consumer products have been in short supply.

Due to the robust growth for cross-border e-commerce sales, the sales from Original Equipment Manufacturing and mass-market retailers for Original Design Manufacturing (“ODM”) toy car products under new brands increased. However, the increase was partly offset by the decrease in sales of lighting products, and Original Brand Manufacturing (“OBM”) outdoor products of “Gazillion® Bubbles”. Overall, the revenue generated from the US market recorded an increase.

The Group would strive to maintain its authorised licensing business for major brands, enrich other product lines and retain existing distributors and clients, including Wal-Mart, Target and Amazon.

Canada

Our revenue in the Canadian market increased by approximately HK$22,435,000 or 30.5% to approximately HK$95,983,000 for the year from approximately HK$73,548,000 last year.

The Canadian economy rebounded and the gross domestic production increased significantly in 2021. Social distancing measures were relaxed the most sectors were re-opened. Despite the surge of Omicron COVID-19 cases in the last quarter which may hinder the recovery in the start of 2022, consumer sentiment was improved during most time of the year under review. The sales from the Group's mass-market retailers in respect of toy car products, OBM outdoor game products of "Gazillion® Bubbles" and girls' toy series products increased. As a whole, the revenue generated from the Canadian market recorded an increase.

The Group will make efforts to maintain its existing distributors and clients, such as Wal-Mart, Costco Canada and Canadian Tire Corporation.

Europe

Our revenue in Europe increased by approximately HK$10,281,000 or 13.1% to approximately HK$88,931,000 for the year from approximately HK$78,650,000 last year.

The economy of most European countries has recovered and the governments have relaxed social distancing measures in less risky areas.

The growth in sales of toy car products, OBM outdoor products of "Gazillion® Bubbles" and boys' product "Fart Ninjas" offset the decrease in the sale of girl role play products. The Group recorded a decrease in orders from customers in Denmark, Estonia, Croatia, Switzerland, Greece and Luxembourg. However, the orders from customers in UK, Finland, Belgium, Lithuania, Italy, Russia, Poland, Ukraine, France, Slovenia, Germany, Malta, Spain, Ireland, Portugal and Czech Republic increased. Overall, our revenue in the European market recorded an increase. The Group will continue its efforts to maintain existing distributors and clients such as Costco.

Mexico

Our revenue in Mexico decreased by approximately HK$1,021,000 or 7.4% to approximately HK$12,792,000 for the year from approximately HK$13,813,000 last year.

The pandemic continued to affect economic activities and consumer sentiment in the year. The uncertainty surrounding the economic outlook and job market tempered the pace of recovery. Due to decrease in orders for the Group's ODM toy car products, our total revenue in the Mexican market recorded a decrease.

Australia and New Zealand

Our revenue in the Australia and New Zealand markets increased by approximately HK$4,505,000 or 12.2% to approximately HK$41,567,000 for the year from approximately HK$37,062,000 last year.

According to the statistics released by the Australian Bureau of Statistics, the GPD of the Australian economy increased by 3.4 per cent. Many workers have returned to the job market and unemployment rate decreased.

The Group recorded an increase in sales of girls' toy series product "Bright Fairy Friends". However, the sales of OBM outdoor products of "Gazillion® Bubbles" and ODM toy car products such as "Herodrive", "Tonka" and "Mighty Fleet" decreased. Our overall market revenue in Australia and New Zealand recorded an increase. The Group will continue its efforts to maintain its existing distributors and clients such as Big W.

South America

Our revenue in South America markets increased by approximately HK$5,020,000 or 71.3% to approximately HK$12,065,000 for the year from HK$7,045,000 last year.

Most South America countries have recovered from the negative impact of the pandemic. Overall, the Group recorded an increase in sales in Panama, Chile, Honduras, Guatemala, Paraguay, Bolivia, Nicaragua, and Peru; however sales orders in Argentina, Ecuador, Costa Rica and Uruguay for toy car products and outdoor game products in ODM business decreased. As a whole, our revenue in South American markets recorded an increase.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of approximately 5,600 (2020: 6,600) employees in Hong Kong, the PRC, Vietnam, Australia, the US, Canada, Taiwan, Mexico and Europe. The Group provides its employees with competitive remuneration packages commensurate with the level of pay established by the market trend in comparable businesses. A share option scheme was adopted by the Group for selected participants (including full-time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

ENVIRONMENTAL PROTECTION

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges that employees, customers and business partners are crucial to its sustainable growth. The Group is hence committed to building up close and caring relationship with its employees, provide exceptional service to its customers and enhance partnership with its business partners.

PROSPECT

Looking forward, it seems that the COVID containment measures will stay in force in the near term and the business environment will remain challenging for the Group. Nevertheless, it is expected that the overall economic and operating environment will recover gradually due to the increase in vaccination rates and reopening of the European and American markets. With the experience gained in the last two years, the Group moves into the new year with cautious optimism and prepares to respond to potential market disruptions swiftly. With the aim to strengthen our leading position in the global toys market, we will endeavor to retain our existing clients as well as further diversify our market and customer portfolio. At the same time, the Group will prudently manages its financial and cash position to support business growth and minimize the potential negative impacts on our financial position caused by the pandemic. From the perspective of manufacturing, we will continue to optimize the use of manpower with the aid of machine automation to improve profitability and therefore create long-term and highest returns for shareholders.

All in all, the Group will strive to bring additional value and new income streams to the Group and maximize the long-term returns to its shareholders.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheng Yung Pun

Aged 70, was appointed Chairman of the Company in September 2000 and also the Chairman of the nomination committee of the Company. Mr. Cheng is responsible for the overall corporate policies and development strategies and monitoring the overall management of the Group. Mr. Cheng has in-depth knowledge and extensive experience in business operations in Greater China. Mr. Cheng has more than 41 years' extensive experience in plastic toys manufacturing, property development and investment. Mr. Cheng is also a director of Smart Forest Limited (Mr. Cheng's wholly owned company) which owns share interest in the Company. He is the father of Mr. Cheng King Cheung, Executive Director of the Company.

Mr. Cheng King Cheung

Aged 30, was appointed Executive Director of the Company in October 2013. Mr. Cheng holds a bachelor's degree in Government from Franklin and Marshall College in Pennsylvania, USA. Mr. Cheng joined Funrise Group since 2010. He has about 12 years' experience in sales and marketing of toys. He is currently a Chief Executive of Funrise Group. He is a son of Mr. Cheng Yung Pun, the Chairman of the Company.

Mr. Tse Kam Wah

Aged 71, was appointed Executive Director of the Company in November 2009. Mr. Tse obtained a higher certificate in mechanical engineering from The Hong Kong Polytechnic University. He has over 34 years' experience in toy factory and production management. His experience ranges from managing all manufacturing activities of the corporations in the base outside Hong Kong, monitoring manufacturing process to product development. He joined the Group over 23 years and is currently responsible for the production management.

Mr. Tsang Chung Wa

Aged 58, was appointed Executive Director of the Company in January 2011. He holds a Diploma in Management Studies awarded jointly by The Hong Kong Management Association and The Hong Kong Polytechnic University. He has over 33 years' experience in the operation, sales and production management of toy industry. His experience ranges from managing marketing activities of the corporations in the base outside Hong Kong to business development. He joined the Group over 21 years and is currently responsible for the marketing management and the related business management works.

Ms. Yip Hiu Har

Aged 42, was appointed Executive Director of the Company in April 2018 and appointed as Chief Executive Officer on 15 April 2021. She holds a Bachelor of Arts degree in Language with Business from The Hong Kong Polytechnic University and a Bachelor's Degree in Law from University of London. Ms. Yip joined the Group since 2007. She has about 14 years' experience in toy industry. She is currently in charge of procurement, marketing and shipping of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam

Aged 72, is an Independent Non-executive Director of the Company. He was appointed as an Independent Non-executive Director in September 2004. He also serves as the Chairman of the audit committee and the remuneration committee as well as a member of the nomination committee of the Company. Dr. Loke has over 45 years of working experience in accounting and auditing for private and public companies, financial consultancy and corporate management.

Dr. Loke holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute. He is also a life member of The Hong Kong Independent Non-Executive Director Association. Mr. Heng Victor Ja Wei, an Independent Non-Executive Director of the Company, is his nephew-in-law.

In addition to his directorship in the Company, Dr. Loke serves as an non-executive director of Veson Holdings Limited (formerly Known as SCUD Group Limited) (Stock Code: 1399). He also serves as an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: China Silver Technology Holdings Limited (formerly known as TC Orient Lighting Holdings Limited) (Stock Code: 0515), Hang Sang (Siu Po) International Holding Company Limited (Stock Code: 3626), Hong Kong Resources Holdings Company Limited (Stock Code: 2882), TradeGo FinTech Limited (Stock Code: 8017), Times Universal Group Holdings Limited (formerly known as Forebase International Holdings Limited) (Stock Code: 2310), Tianjin Development Holdings Limited (Stock Code: 0882), Zhenro Properties Group Limited (Stock Code: 6158), and Crazy Sports Group Limited (formerly known as V1 Group Limited) (Stock Code: 0082).

Dr. Loke was an independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Lamtex Holdings Limited (Stock Code: 1041) from July 2015 to March 2020, Tianhe Chemicals Group Limited (Stock Code: 1619) from May 2014 to May 2020, CIMC-TianDa Holdings Company Limited (Stock Code: 0445) up to February 2021, Zhong An Group Limited (Stock Code: 0672) from June 2009 to June 2021 and Chiho Environmental Group Limited (formerly known as Chiho-Tiande Group Limited) (Stock Code: 0976) from June 2010 to December 2021.

Mr. Mak Shiu Chung, Godfrey

Aged 59, was appointed Independent Non-executive Director in May 2000 and is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Mak holds a Bachelor of Science degree in business studies from Bradford University School of Management, United Kingdom and a Master of Business Administration degree from the University of Wales, United Kingdom. He is a Member of the Hong Kong Securities Institute; a Member of The Chartered Institute of Marketing and an Associate of The Institute of Chartered Secretaries and Administrators. Mr. Mak has over 31 years of experiences in the field of corporate finance

Mr. Heng Victor Ja Wei

Aged 44, was appointed Independent Non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company in December 2012. He is a partner of Morison Heng, Certified Public Accountants. Mr. Heng holds a Master of Science degree of the Imperial College of Science, Technology and Medicine, the University of London. He is a member of and holds a Certified Public Accountant (Practising) certificate issued by The Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants. He is a nephew-in-law of Dr. Loke Yu alias Loke Hoi Lam, an Independent Non-Executive Director of the Company. Mr.Heng serves as an independent non-executive director of Best Food Holding Company Limited (Stock Code: 1488), Lee & Man Chemical Company Limited (Stock Code: 0746) and Veson Holdings Limited (Stock Code: 1399) and as Company Secretary of China Life Insurance Company Limited (Stock Code: 2628), whose shares are listed on the main board of the Stock Exchange.

Corporate Governance Report

The board of directors (the "Board") of Matrix Holdings Limited (the "Company") has adopted the Company's corporate governance code (the "CG Code") to reflect the requirements of Appendix 14 (the "HKEx Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Continuous efforts are made to review, apply and enhance the Group's procedures in light of changes in regulations and developments in best practices. Following sustained development of the Company, the Board and its executive management will continue to monitor the governance policies to ensure that such policies meet the general rules and standards. The Board is pleased to report compliance with the CG Code under the HKEx Code during the year ended 31 December 2021 except where otherwise stated in section "Report of the Directors".

A. DIRECTORS

1. The Board

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

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

As at 31 December 2021, at least one-third of the Company's board are Independent Non-executive Directors ("INED") of which the Board comprises five (5) executive directors, namely Mr. Cheng Yung Pun (Chairman), Mr. Cheng King Cheung, Mr. Tsang Chung Wa, Mr. Tse Kam Wah and Ms. Yip Hiu Har and three (3) INEDs, namely Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey and Mr. Heng Victor Ja Wei, (collectively the "Directors"). The INEDs required under Rule 3.10(1) of the Listing Rules who represent one third of the Board and include three with appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

A. DIRECTORS (Continued)

1. The Board (Continued)

In accordance with the Bye-laws, the CG Code of the Company, every Director should be subject to retirement by rotation at least once every three years. All Directors appointed as an additional Director or to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment and that one-third of the Directors should be subject to retirement and re-election every year. However, non-executive Directors (including independent non-executive) are not appointed for a specific term as stipulated by the HKEx Code. It is a deviation from code provisions A.4.1 that none of the existing non-executive directors of the Company is appointed for a specific term. Since 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 meet the intent of the relevant provision in the HKEx Code and CG Code and are no less exacting than those provisions as they are subject to retirement by rotation and re-election at the annual general meetings of the Company. As such, the Company considers that such provisions are sufficient of the HKEx Code.

The Directors who are subject to retirement and re-election at the 2022 Annual General Meeting are set out on page 51 of this Annual Report. The independence of the INED has been assessed in accordance with the applicable Listing Rules as each of the INED has provided an annual written confirmation of independence pursuant to the Listing Rules 3.13.

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

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

A. DIRECTORS (Continued)

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

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

3. Board Meetings and Access of Information

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

During the year under review, the Board held eleven board meetings (including some meetings held by video or telephone conference) in which Mr. Tse Kam Wah and Ms. Yip Hiu Har had attended all board meetings; Dr. Loke Yu alias Loke Hoi Lam, Mr. Heng Victor Ja Wei and Mr. Mak Shiu Chung, Godfrey had attended ten (10) board meetings; Mr. Cheng Yung Pun had attended eight (8) board meetings; Mr. Cheng King Cheung and Mr. Yu Sui Chuen had attended six (6) board meetings; Mr. Tsang Chung Wa had attended five (5) board meetings and Mr. Wan Hing Pui had not attended any board meetings. Mr. Yu Sui Chuen and Mr. Wan Hing Pui resigned as an Executive Director and an independent executive director of the Company respectively with effect from 1 July 2021.

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

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

A. DIRECTORS (Continued)

4. Directors' Securities Transactions

The Company has adopted and amended from time to time its code for securities transactions by directors of listed issuers as the code of conduct governing directors' securities transactions in compliance with the recently amended Appendix 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.

5. Directors' Continuous Training and Development Programme

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

During the year ended 31 December 2021, all Directors of the Company namely, Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Mr. Tsang Chung Wa, Mr. Tse Kam Wah, Mr. Yu Sui Chuen, Ms. Yip Hiu Har, Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei received regular updates on the Group's business, operations and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. They also attended regulatory update sessions on relevant topics. All Directors are requested to provide the Company with their respective training record pursuant to the CG Code.

B. DIRECTORS' REMUNERATION

1. Remuneration Committee ("RC")

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

Membership and attendance:

The RC comprises Dr. Loke Yu alias Loke Hoi Lam as chairman, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei. For the year ended 31 December 2021, all members except Mr. Wan Hing Pui of the RC had attended the RC meeting. Mr. Wan Hing Pui resigned as an independent executive director of the Company with effect from 1 July 2021.

Work done during the year

- reviewed its remuneration policy for Directors and senior management; and
- reviewed the remuneration packages of executive Directors and senior management for the year 2021.

2. Level and Make-up of Remuneration

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

Details of the remuneration of the Directors for the year ended 31 December 2021 are provided in Note 15 to the Consolidated Financial Statements in this annual report.

C. DIRECTORS' NOMINATION

1. Nomination Committee ("NC")

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

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

Membership and attendance:

The NC comprises Mr. Cheng Yung Pun as chairman, Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei. For the year ended 31 December 2021, all members except Mr. Wan Hing Pui of NC had attended the meeting. Mr. Wan Hing Pui resigned as an independent executive director of the Company with effect from 1 July 2021.

C. DIRECTORS' NOMINATION (Continued)

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

Work done during the year

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

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

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

- reviewed and assessed the composition of the Board; and

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

2. Implementation of Board Diversity policy

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

C. DIRECTORS' NOMINATION (Continued)

2. Implementation of Board Diversity policy (Continued)

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

D. ACCOUNTABILITY AND AUDIT

1. Audit Committee ("AC")

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

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

Two AC members are qualified accountants. None of the AC members are members of the former or existing auditor of the Company.

D. ACCOUNTABILITY AND AUDIT (Continued)

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

Membership and attendance:

The AC comprises Dr. Loke Yu alias Loke Hoi Lam as chairman, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei. For the year ended 31 December 2021, all members except Mr. Wan Hing Pui had attended the three (3) meetings. Mr. Wan Hing Pui resigned as an independent executive director of the Company with effect from 1 July 2021. The chief financial officer is a normal attendee of the AC meetings. Where appropriate, representatives of the external auditors are invited to attend the AC meetings to present significant audit and accounting matters which they noted in the course of their audit.

Work done during the year

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

D. ACCOUNTABILITY AND AUDIT (Continued)

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

Work done during the year (Continued)

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

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

2. Financial Reporting

The financial statements of the Company for the year ended 31 December 2021 have been reviewed by the AC and audited by the external auditor, RSM Hong Kong. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

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

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

A statement of the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 60 to 64 of this annual report.

D. ACCOUNTABILITY AND AUDIT (Continued)

3. Internal Control

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

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

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

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

Parties involved in internal control function:

Chief audit executive

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

D. ACCOUNTABILITY AND AUDIT (Continued)

3. Internal Control (Continued)

Parties involved in internal control function: (Continued)

Internal audit function team

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

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

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

The Group's internal audit function team provides independent assurance to the Board and executive management on the adequacy and effectiveness of internal controls for the Group. The team leader of internal audit function team reports directly to the Chairman of the Audit Committee under adoption of a risk-and-control-based audit approach. The annual work plan of Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. During 2021, the Group internal audit function team conducted selective reviews of the effectiveness of the Group's internal audit program. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Company's financial position or results of operations and considered the internal control systems to be generally effective and adequate.

D. ACCOUNTABILITY AND AUDIT (Continued)

4. Auditors' Remuneration

During the year under review, the fees paid or payable to the auditor of the Company, RSM Hong Kong, were approximately HK$1,900,000 for statutory audit services Rendered (including disbursement fees) rendered to the Group respectively. Remuneration paid to other auditors for audit and non-audit services rendered to overseas subsidiaries was approximately HK$2,635,000.

E. CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

F. COMPANY SECRETARY

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

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

G. INVESTOR RELATIONS

1. Communication with investors

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

2. Annual General Meeting ("AGM")

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

Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors particularly the INED – Dr. Loke Yu alias Loke Hoi Lam and Mr. Mak Shiu Chung, Godfrey to be re-elected at the 2021 AGM, as they have been the INEDs for more than 9 years.

The circular to shareholders dispatched together with the annual report includes relevant details of proposed resolutions, including biographies of each candidates standing for re-election. In order to comply with the Listing Rules and CG Code as well, the forthcoming AGM will be held with voting by way of a poll and that all shareholders will be given a notice for 20 clear business day or 21 days (whichever is later). The results of the poll in general meetings from time to time will be published on website of the Company and HKEx.

All directors except Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Mr. Tsang Chung Wa and Mr. Wan Hing Pui had attended the 2021 AGM of the Company held on 13 May 2021.

G. INVESTOR RELATIONS (Continued)

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

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

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

ii) Make Enquiries:

In accordance with the Company's Shareholders' Communication Policy, the Shareholders direct their questions about their shareholdings to the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Branch Share Registrar") or the Customer Service Hotline of the Branch Share Registrar at (852) 2980-1333 from 9:00 a.m. to 5:00 p.m. Monday to Friday (excluding Hong Kong public holidays) or by email at matrix1005-ecom@hk.tricorglobal.com.

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

G. INVESTOR RELATIONS (Continued)

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

iii) Put forward proposals:

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

iv) Dividend Policy

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

1. SCOPE AND REPORTING PERIOD

1.1 Report Compilation Basis

This Report is prepared with reference to Environmental, Social and Governance ("ESG") Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). This Report is based on four principles, namely materiality, quantitative, balance and consistency.

1.2 Scope of Reporting

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

1.3 Reporting Period

The information published in this ESG report covers the period from 1 January 2021 to 31 December 2021.

1.4 Stakeholder Engagement and Materiality

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

1.5 Environmental, Social and Governance Strategies

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

2. ENVIRONMENTAL PERFORMANCE

The Group's manufacturing business activities do not create much impact on the environment and natural resources. Despite this, the Group endeavors to protect the environment by implementing various measures to minimize environmental adverse impacts arising from its operations and ensure sustainable development and operation of the Group.

Climate change and global warming are the most pressing environmental problems in the world. There are many environmental groups that have been actively working with companies to reduce pollution. In response, the Group has implemented measures to minimize greenhouse gas emissions and the generation of non-hazardous waste.

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

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

2.1 Emissions Policy and Compliance

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

Total floor area coverage of the Group's various factories in Vietnam was 122,722.2 m^2 (2020: 122,722.2 m^2) and most of the Group's emissions were produced by its factory operations in Vietnam. Major types of emissions from these production plants in the Reporting Period were unleaded diesel oil, electricity, water, paper, hazardous waste and non-hazardous waste.

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.1 Emissions Policy and Compliance (Continued)

2.1.1 Types of Emissions

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

2.1.2 Greenhouse Gas Emissions

The total net GHG emission produced by the Group in the course of operation was 18,807.05 tonnes (2020: 15,309.21 tonnes) of carbon dioxide equivalent (tCO_2-eq). The GHG emissions generated from the daily electricity power consumption is the main source of the Group's carbon footprint.

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

Scope of Greenhouse Gas Emissions	Emission Sources	2021 Emission (in tonnes of CO_2e)	2020 Emission (in tonnes of CO_2e)	2021 Total Emission (in percentage)	2020 Total Emission (in percentage)
Scope 1					
Direct Emission	Unleaded Diesel Oil consumed by generator, forklift, boiler	**19.54**	25.67	**0.10%**	0.17%
Scope 2					
Indirect Emission	Purchased Electricity	**18,768.46**	15,263.04	**99.79%**	99.7%
Scope 3					
Other Indirect Emission	Water Consumption	**19.05**	20.50	**0.11%**	0.13%
	Total:	**18,807.05**	15,309.21	**100%**	100%

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.1 Emissions Policy and Compliance (Continued)

2.1.2 Greenhouse Gas Emissions (Continued)

The major contributor of the GHG emissions was Scope 2: Indirect Emission, which accounts for 99.79% (2020: 99.7%) of the total emissions. A further GHG emission analysis is set forth below:

Unit	**2021**	2020
Total Greenhouse Gas Emitted (a) tCO_2e	**18,807.05**	15,309.21
Total Floor Area Coverage (b) m^2	**122,722.2**	122,722.2
Total production weight (KG)	**4,526,347**	3,524,419
Annual Emission Intensity (c) = (a)/(b) tCO_2e/m^2	**0.1532**	0.1247
Annual Greenhouse Gas emission Intensity (c) = (a)/(b) tCO_2e/KG	**0.0042**	0.0043
Total Removal by installing of LED equipment (e) tCO_2e	**11,250**	12,394

2.1.3. Emission Prevention

In 2021, there were 18,807.05 tonnes (2020: 15,309.21 tonnes) of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) generated from the Group's operation. The annual emission intensity was 0.1532 tCO_2e/m^2 (2020: 0.1247 tCO_2e/m^2).

To minimize the impact of carbon footprints on the environment, the Group has implemented various energy-saving and energy efficiency measures, including i) installing high-performance electric equipment; ii) replacing all normal light bulbs with light-emitting diode ("LED") energy-saving lighting gradually; iii) installing roof made of transparent materials to provide natural lighting; iv) switching off unnecessary lighting and electrical appliances when they are not in use; v) setting the photocopiers in energy saving mode when not in use; and vi) deploying window panes which provide natural ventilation for better indoor air quality as well as natural lighting to save energy. These measures contributed to a total amount of 11,250 tonnes (2020: 12,394 tonnes) reduction in emission of carbon-dioxide equivalent greenhouse gases.

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.1 Emissions Policy and Compliance (Continued)

2.1.4 Non-hazardous waste, paper and hazardous waste

Non-Hazardous waste

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

Hazardous waste

A total of 14,000kg hazardous waste was collected during the Reporting Period (2020: 22,000 kg).

2.1.5 Use of paper and packaging material

A total of 1.32 tonnes (2020: 1.18 tonnes) has been used in the daily office operations and advertising activities. Some marketing materials such as leaflets, catalogues and sales kits have been disposed through licensed recycling companies. During the Reporting Period, 250,324 tonnes of packaging materials were disposed (2020: 201,587 tonnes). These packaging materials mainly include plastic bottles and carton papers like carton containers used for production and paper waste.

2.1.6 Waste reduction

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

2. ENVIRONMENTAL PERFORMANCE (Continued)

2.2. Use of Resources

2.2.1 Energy

Electricity

The electricity consumption by the Group was 28,523,499 kW-h (2020: 27,062,134 kW-h).

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

2.2.2 Unleaded Diesel Oil

A total of 7,000 liters (2020: 7,360 liters) of unleaded diesel oil was consumed, leading to 19.54 tonnes (2020: 25.67 tonnes) of carbon dioxide equivalent in the Reporting Period.

2.2.3 Water

Water consumption by the Group was 60,868 m^3 (2020: 66,456 m^3) and the corresponding water intensity was 0.502 m^3/m^2 (2020: 0.548 m^3/m^2). Same as last year, only the water consumption in relation to the operation factories and offices with total floor area coverage of 121,316.4 m^2 (2020: 121,316.4 m^2) were included in this section as water usage of our offices in other regions has been embedded in the management fee and thus can't be quantified separately.

Nevertheless, the Group actively promotes water-saving practices such as i) installing water meters to monitor water consumption; ii) providing periodic training to workers to enhance their awareness on water-saving in factories; and iii) encouraging employees to turn taps off tightly and prevent dripping of water..

2.3 The Environment and Natural Resources

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

3. SOCIAL PERFORMANCE

3.1 Employment Policy and Compliance

The Group recognizes that human resources are a valuable asset and understands that its service quality and competitiveness are highly dependent on the contribution of its employees. Therefore, it offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retains talent. As at 31 December 2021, the Group had a workforce of about 5,600 staff in globally including Hong Kong, the PRC, and Vietnam etc., of which about 4,940 were full-time factory workers.

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

3.1.1 Total workforce by age group

Employee's Age Distribution

Age	18-25	26-35	36-45	46-55	56 and above
2021					
Number of employees	643	1,473	1,753	1,061	10
2020					
Number of employees	769	1,718	1,911	912	5

3.1.2 Annual Turnover Rate

Annual Turnover Rate

Age	18-25	26-35	36-45	46-55	56 and above
2021					
Percentage of turnover	43.59%	37.13%	14.22%	5.07%	0%
2020					
Percentage of turnover	46.70%	36.53%	12.52%	3.77%	0.48%

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

3. SOCIAL PERFORMANCE (Continued)

3.1 Employment Policy and Compliance (Continued)

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

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

3.2 Health and Safety Policy and Compliance

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

The Group regularly reviews the health and safety procedures of its factories to safeguard factory employees' well-being. Briefings, trainings, news and tips are provided to factory employees from time to time to strengthen their awareness and to refresh their knowledge and skills on using plant equipment.

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

3. SOCIAL PERFORMANCE (Continued)

3.2 Health and Safety Policy and Compliance (Continued)

3.2.1 Occupational Health and Safety Data

The occupational health and safety data is as below:

Occupational Health and Safety Data

	2021	2020
Work related fatality	**0**	0
Work injury cases >3 days	**9**	16
Work injury cases <3 days	**4**	4

	2021	2020
Lost days due to work injury	**70**	228
Total Labour working days	**1,417,780**	1,603,126

3.2.2 Safety Measures

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

3.3 Development and Training

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

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

	2021	2020
Total Number of Factory employee	**4,940**	5,326
Total Training Hours	**4 hours/ employee**	4 hours/ employee

3. SOCIAL PERFORMANCE (Continued)

3.3 Development and Training (Continued)

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

3.4 Labour Standard

3.4.1 Child and forced labour

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

3.5 Supply Chain Management

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

3.5.1 Number of Suppliers by Geographical Region

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

3.5.2 Suppliers' Engagement

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

3. SOCIAL PERFORMANCE (Continued)

3.6 Product Responsibility

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

3.6.1 Products and Service Related Complaints

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

3.6.2 Protecting Intellectual Property Rights

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

3.6.3 Quality Assurance Process

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

3.6.4 Consumer Data Protection and Privacy Policies

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

3. SOCIAL PERFORMANCE (Continued)

3.7 Anti-Corruption

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

3.7.1 Preventive Measures

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

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

3.8 Community Investment

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

4. THE FUTURE DIRECTION OF THE GROUP

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

5. REPORTING FRAMEWORK

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

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

5. REPORTING FRAMEWORK (Continued)

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

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

Report of the Directors

The Directors of the Company have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

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

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 69.2% of the Group's turnover, with the largest customer accounted for approximately 38.2%. The aggregate purchases attributable to the Group's five largest suppliers were approximately 40.9% of total purchases of the Group, with the largest supplier accounted for approximately 17.1%.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65.

During the year, the Company has paid 2020 final dividend of HK4.0 cents per share and the Directors have declared 2021 interim dividend of HK1.5 cents per share. Both 2020 final dividend and 2021 interim dividend were paid by cash. The total cash dividend paid during the year was approximately HK$41,591,000.

The Directors now recommend the payment of a final dividend of HK6.0 cents per share amounting to approximately HK$45,372,000, to the shareholders on the register of members on 25 May 2022 payable in cash. The remaining distribution reserves in the Company amounted to approximately HK$300,261,000.

DIVIDEND POLICY

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

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2021 are set out in Note 32 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DISTRIBUTION RESERVES

Distribution reserves of the Company at 31 December 2021, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$345,633,000 (2020: HK$401,489,000).

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

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

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

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

DEBENTURES/EQUITY LINKED AGREEMENTS

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 142.

DIRECTORS

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

Executive Directors:

Cheng Yung Pun *(Chairman)*
Cheng King Cheung
Tsang Chung Wa
Tse Kam Wah
Yip Hiu Har

Independent non-executive Directors:

Loke Yu alias Loke Hoi Lam
Mak Shiu Chung, Godfrey
Heng Victor Ja Wei

OTHER INFORMATION OF DIRECTORS

In the last three years, Dr. Loke Yu alias Loke Hoi Lam ("Dr. Loke"), independent non-executive Director ("INED") of the Company, was an INED of the following companies whose shares are listed on the Stock Exchange: China Silver Technology Holdings Limited (formerly known as TC Orient Lighting Holdings Limited) (Stock Code: 0515), Hang Sang (Siu Po) International Holding Company Limited (Stock Code: 3626), Hong Kong Resources Holdings Company Limited (Stock Code: 2882), TradeGo FinTech Limited (Stock Code: 8017), Times Universal Group Holdings Limited (formerly known as Forebase International Holdings Limited) (Stock Code: 2310), Tianjin Development Holdings Limited (Stock Code: 0088), Zhenro Properties Group Limited (Stock Code: 6158), and Crazy Sports Group Limited (formerly known as V1 Group Limited) (Stock Code: 0082).

Dr. Loke resigned as INED of the following companies whose shares are listed on the Stock Exchange: Lamtex Holdings Limited (Stock Code: 1041) from July 2015 to March 2020, Tianhe Chemicals Group Limited (Stock Code: 1619) from May 2014 to May 2020, CIMC-TianDa Holdings Company Limited (Stock Code: 0445) up to February 2021, Zhong An Group Limited (Stock Code: 0672) from June 2009 to June 2021 and Chiho Environmental Group Limited (formerly known as Chiho-Tiande Group Limited) (Stock Code: 0976) from June 2010 to December 2021.

Mr. Heng Victor Ja Wei, INED of the Company, resigned as INED of CIMC-TianDa Holdings Company Limited on 1 February 2021, a company whose shares are listed on the Stock Exchange.

OTHER INFORMATION OF DIRECTORS (Continued)

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

Directors' and chief executive's emoluments

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

Name	Fees	Salary	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Cheng Yung Pun	–	1,119	–	1,119
Yu Sui Chuen *(note 1)*	–	919	–	919
Tse Kam Wah	–	1,474	–	1,474
Tsang Chung Wa	–	1,180	18	1,198
Cheng King Cheung	–	1,833	91	1,924
Yip Hiu Har *(note 2)*	–	2,794	18	2,812
Independent Non-executive Directors				
Loke Yu alias Loke Hoi Lam	100	–	–	100
Mak Shiu Chung, Godfrey	100	–	–	100
Wan Hing Pui *(note 1)*	50	–	–	50
Heng Ja Wei, Victor	100	–	–	100
	350	9,319	127	9,796

Note 1: Resigned with effect from 1 July 2021.

Note 2: Appointed as chief executive with effect from 15 April 2021.

DIRECTORS' SERVICE CONTRACTS

In accordance with clause 99 of the Bye-laws of the Company, Mr. Cheng King Cheung, Dr. Loke Yu alias Loke Hoi Lam and Mr. Mak Shiu Chung, Godfrey, who have been longest in office since their last elections and will retire by rotation at the AGM.

The retiring directors have indicated that they will offer themselves to be eligible for re-election at the AGM. Separate resolution will be proposed at 2021 annual general meeting for the re-election of Dr. Loke Yu alias Loke Hoi Lam and Mr. Mak Shiu Chung, Godfrey, being INEDs for more than 9 years.

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

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

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

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

Details of related party transactions during the year are set out in Note 40 to the consolidated financial statements.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

(a) Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK$0.10 each of the Company

Name of Director/ chief executive officer		Personal Interests	Family Interests	Corporate Interests *(Note)*	Other Interests	Total	% of the issued share capital of the Company
Cheng Yung Pun *(Director)*	Long position	–	–	548,573,569	–	548,573,569	72.54%
Cheng King Cheung *(Director)*	Long position	2,052,000	–	–	–	2,052,000	0.27%
Tsang Chung Wa *(Director)*	Long position	4,108,251	–	–	–	4,108,251	0.54%
Tse Kam Wah *(Director)*	Long position	4,200,000	–	–	–	4,200,000	0.56%
Yip Hiu Har *(Director and Chief Executive Officer*)*	Long position	200,000	–	–	–	200,000	0.03%
Chen Wei Qing *(Chief Operating Officer^)*	Long position	3,980,000	–	–	–	3,980,000	0.53%

Note:

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

* Ms. Yip Hiu Har has been appointed as the Chief Executive Officer on 15 April 2021.

^ Mr. Chen Wei Qing has been re-designated as the Chief Operating Officer on 15 April 2021.

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

(a) Long Positions in Ordinary Shares of the Company (Continued)

Share Option

		Number of underlying shares attached to the share options						
	Option type	Outstanding at beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of year	Exercise price *HK$*	Exercise period
Employees	2017a	24,000,000 *(Note 1)*	–	–	24,000,000 *(Note 1)*	–	3.138	6 August 2017 to 6 August 2020
	2017b	*2,600,000* *(Note 2)*	–	–	2,600,000 *(Note 2)*	–	3.050	13 August 2017 to 13 August 2020
Total Employees		26,600,000	–	–	26,600,000	–		

Notes:

(1) The 24,000,000 underlying shares (representing approximately 3.17% of issued share capital of the Company) in respect of share options granted on 8th May, 2017 pursuant to the Company's share option scheme were lapsed.

(2) The 2,600,000 underlying shares (representing approximately 0.34% of issued share capital of the Company) in respect of share options were granted on 15th May, 2017 pursuant to the Company's share option scheme were lapsed.

The closing prices of the Company's shares on 8 May 2017 and 15 May 2017, the dates of grant of the options type of 2017a and 2017b were HK$3.05 and HK$2.95 respectively.

Details of specific category of share options are as follows:

Option Type	Date of grant	Vesting period	Exercise period	Exercise price
2017a	8 May 2017	90 days	6 August 2017 to 6 August 2020	HK$3.138
2017b	15 May 2017	90 days	13 August 2017 to 13 August 2020	HK$3.050

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

(a) Long Positions in Ordinary Shares of the Company (Continued)

Share Option (Continued)

During the year ended 31 December 2021, the options carry right to subscribe for a total of 26,600,000 shares granted on 8 May 2017 and 15 May 2017 pursuant to the Company's share option scheme were lapsed.

The fair value was calculated using the Binomial Option pricing model. The inputs into the model are as follows:

Option Type	2017a	2017b
Weighted average share price	HK$3.050	HK$2.950
Exercise price	HK$3.138	HK$3.050
Expected volatility	46.97%	46.57%
Expected life	3.2 years	3.2 years
Risk-free rate	0.94%	0.89%
Expected dividend yield	3.96%	3.97%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years.

Because the Binomial Option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The fair value of services received under an equity-settled share-based payment arrangement is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). Details of the accounting policy for equity-settled shared-based payment transactions are set out in Note 4 of the Group's financial statements.

Save as disclosed above, none of the Directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any specified undertaking of the Company or any other associate corporation as at 31 December 2021.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

(a) Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK$0.10 each of the Company

Name of the shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest *(Note 1)*	Beneficial owner	548,573,569	72.54%

Note:

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2021.

SHARE OPTION SCHEME

The key terms of the share option scheme of the Company adopted on 4 May 2012 (the "2012 Share Option Scheme") are summarised herein below:

(i) The purpose of the 2012 Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives and rewards for their contribution to the Company or its subsidiaries;

(ii) The eligible participants of the 2012 Share Option Scheme include any full-time employees, executives or officers, directors of the Company or any of the subsidiaries and any suppliers, consultants, agents or advisers who have contributed to the Group;

(iii) As at 31 December 2021, the total number of shares available for issue of option under the 2012 Share Option Scheme was 45,264,731 shares (after the 2012 Share Option Scheme adopted on 2012 annual general meeting held on 4 May 2012 and grant of share options), which representing 5.99% of the issued share capital of the Company;

(iv) The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the Shares in issue ("2012 Scheme Limit") as at the date approving the adoption of 2012 Share Option Scheme in the 2012 AGM. Options lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit, unless approval from the Company's shareholders has been obtained for refreshing the 2012 Scheme Limit provided that such limit as refreshed shall not exceed 10% of the Shares in issue as at the date of such shareholders' approval. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options may be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded;

SHARE OPTION SCHEME (Continued)

(v) The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option scheme(s) of the Company (including both exercised and outstanding options) to each Eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such eligible participant and his associates abstaining from voting. Any grant of options to a substantial Shareholder (as defined in the Listing Rules) of the Company or any the independent non-executive Director or their respective associates which result in the number of Shares issued and to be issued upon exercise of options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under this Scheme and the other schemes in the 12-month period up to and including the date of offer of such grant (a) representing in aggregate over 0.1% of the Shares in issue on the date of offer; and (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on each date of offer, in excess of HK$5 million, such further grant of options shall be subject to the approval of the Shareholders of the Company in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting;

(vi) There is no general requirement that an option must be held for any minimum share period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the 2012 Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the 2012 Share Option Scheme;

(vii) An offer for the grant of options must be accepted within 28 days after the option is offered to the relevant Grantee. The amount payable to the Company on acceptance of the offer of the grant of an option is HK$1.00 which is non-refundable;

(viii) The subscription price payable upon exercising any particular option granted under the Scheme is determined based on a formula: P = N x Ep, where "P" is the subscription price; "N" is the number of shares to be subscribed; and "Ep" is the exercise price for a Share in respect of any particular option granted under the 2012 Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the 5 Business Days immediately preceding the date of offer; and (c) the nominal value of a Share, and as adjusted pursuant to the clauses of the 2012 Share Option Scheme; and

(ix) The life of the Scheme is until the tenth anniversary of the adoption date of the Scheme.

SHARE OPTION SCHEME (Continued)

During the year under review, no options have been granted and remained outstanding carry rights to subscribe (31 December 2020: nil share) of the shares in issue at that date, remain outstanding. As at 31 December 2021 and as at the latest practicable date prior to the issue of the annual report, no options have been exercised, cancelled or lapsed (31 December 2020: nil share).

The details of the share options were disclosed in the Section "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or any specified undertaking of the Company or any other associated corporation".

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme is set out as "Share Option Scheme" above.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the corporate governance code (the "CG Code") and amended it from time to time, which is based on the principles set out in Appendix 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 and E.1.2 which are explained as follows:

a) 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; and

b) under the code provision E.1.2, Mr. Cheng Yung Pun, the chairman of the Board and the Nomination Committee was unable to attend the 2021 annual general meeting ("AGM") due to the impact of COVID-19 pandemic. Except the chairman of the Board, the two executive directors and one independent non-executive director, all other members of the Board had attended the 2021 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 2021 AGM.

SUFFICIENCY OF PUBLIC FLOAT

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

OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

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

AUDITOR

At the Annual General Meeting of the Company held on 13 May 2021, Messers. Deloitte Touche Tohmatsu retired as the auditor of the Company, Messre. RSM Hong Kong, was appointed as the new auditor of the Company on 17 December 2021.

Messers. RSM Hong Kong will retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-appointment.

By order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 28 March 2022

Independent Auditor's Report

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TO THE SHAREHOLDERS OF MATRIX HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Matrix Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 141, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is "impairment of goodwill related to toy business".

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill related to toy business Refer to note 5 and note 21(iii) to the consolidated financial statements. As at 31 December 2021, the Group had goodwill with carrying amount of HK$96,822,000 arising from the acquisition of Funrise Group in 2007. Funrise Inc. is engaged in the wholesale and distribution of toys and accessories primarily sold in the US region. Goodwill is allocated to this CGU of toys distribution business and is tested annually. Management assessed the recoverable amount of the CGU which is determined based on value-in-use calculation. The value-in use calculation require management to make assumptions and estimates about budgeted revenue and cost, gross margin, growth rates, market discount rates. The estimates involve significant management judgements. Based on the value in use calculation, there is no impairment of goodwill need to be recognised for current year as the recoverable amount exceeds its carrying amount.	Our procedures in relation to this matter include: • Evaluating the independent external valuer's competence, capabilities and objectivity; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Assessing the appropriateness of the valuation approach, methodology and discount rate with the assistance of our internal valuation specialists.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2021.

OTHER INFORMATION

The directors of the Company are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Chu Man Wah, Sharon.

RSM Hong Kong
Certified Public Accountants
Hong Kong
28 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	*7*	**1,082,637**	901,141
Cost of sales		**(640,660)**	(549,982)
Gross profit		**441,977**	351,159
Other income	*9*	**14,456**	10,897
Other gains and losses	*10*	**(4,135)**	(1,140)
Impairment losses on intangible assets		**(7,000)**	–
Distribution and selling costs		**(174,590)**	(157,597)
Administrative expenses		**(154,169)**	(126,507)
Research and development costs		**(21,529)**	(23,061)
Other expenses		**(19,441)**	(39,461)
Profit from operations		**75,569**	14,290
Finance costs	*11*	**(4,653)**	(5,358)
Profit before tax	*13*	**70,916**	8,932
Income tax expense	*12*	**(16,279)**	(941)
Profit for the year		**54,637**	7,991
Other comprehensive income for the year, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**2,263**	(142)
Total comprehensive income for the year		**56,900**	7,849
Profit for the year attributable to:			
Owners of the Company		**55,092**	10,588
Non-controlling interests		**(455)**	(2,597)
		54,637	7,991
Total comprehensive income for the year attributable to:			
Owners of the Company		**57,355**	10,446
Non-controlling interests		**(455)**	(2,597)
		56,900	7,849
Earnings per share attributable to owners of the Company:			
Basic earnings per share (expressed in HK cents per share)	*18*	**7**	1
Diluted earnings per share (expressed in HK cents per share)	*18*	**7**	1

Consolidated Statement of Financial Position

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**176,148**	190,026
Right-of-use assets	*20*	**258,463**	270,009
Intangible assets	*21*	**104,685**	113,053
Deposits	*24*	**126,116**	25,065
Deferred tax assets	*31*	**26,087**	24,780
		691,499	622,933
Current assets			
Inventories	*23*	**328,671**	303,919
Trade receivables	*24*	**185,482**	233,000
Prepayment, deposits and other receivables	*24*	**43,899**	57,140
Current tax assets		**2,515**	2,651
Bank and cash balances	*25*	**164,076**	154,699
		724,643	751,409
Current liabilities			
Trade payables	*26*	**71,961**	57,175
Accruals and other payables	*26*	**96,497**	90,248
Contract liabilities	*27*	**6,708**	9,622
Amount due to a director	*28*	**8,302**	–
Bank borrowings	*29*	**7,911**	12,627
Lease liabilities	*30*	**17,074**	19,215
Current tax liabilities		**18,971**	5,244
		227,424	194,131
Net current assets		**497,219**	557,278
Total assets less current liabilities		**1,188,718**	1,180,211

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	*30*	**60,491**	63,607
Deferred tax liabilities	*31*	**1,059**	964
		61,550	64,571
NET ASSETS		**1,127,168**	1,115,640
Capital and reserves			
Share capital	*32*	**75,620**	75,620
Reserves		**1,057,746**	1,045,763
Equity attributable to owners of the Company		**1,133,366**	1,121,383
Non-controlling interests		**(6,198)**	(5,743)
TOTAL EQUITY		**1,127,168**	1,115,640

Approved by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Mr. Cheng Yung Pun
Director

Ms. Yip Hiu Har
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000 *(note 35 (b)(i))*	Shareholders' contribution HK$'000 *(note 35 (b)(ii))*	Share options reserve HK$'000 *(note 35 (b)(iii))*	Other reserve HK$'000	Translation reserve HK$'000 *(note 35 (b)(iv))*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	75,620	189,090	21,028	21,433	(150)	(48,202)	886,147	1,144,966	(3,146)	1,141,820
Total comprehensive income for the year	–	–	–	–	–	(142)	10,588	10,446	(2,597)	7,849
Dividend paid *(note 17)*	–	–	–	–	–	–	(34,029)	(34,029)	–	(34,029)
Lapse of share options	–	–	–	(21,433)	–	–	21,433	–	–	–
Changes in equity for the year	–	–	–	(21,433)	–	(142)	(2,008)	(23,583)	(2,597)	(26,180)
At 31 December 2020	75,620	189,090	21,028	–	(150)	(48,344)	884,139	1,121,383	(5,743)	1,115,640
At 1 January 2021	**75,620**	**189,090**	**21,028**	**–**	**(150)**	**(48,344)**	**884,139**	**1,121,383**	**(5,743)**	**1,115,640**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**2,263**	**55,092**	**57,355**	**(455)**	**56,900**
Dividend paid *(note 17)*	**–**	**–**	**–**	**–**	**–**	**–**	**(45,372)**	**(45,372)**	**–**	**(45,372)**
Changes in equity for the year	**–**	**–**	**–**	**–**	**–**	**2,263**	**9,720**	**11,983**	**(455)**	**11,528**
At 31 December 2021	**75,620**	**189,090**	**21,028**	**–**	**(150)**	**(46,081)**	**893,859**	**1,133,366**	**(6,198)**	**1,127,168**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**70,916**	8,932
Adjustments for:		
(Gain)/loss on disposals of property, plant and equipment	**(213)**	4,222
Interest income on bank deposits	**(2,543)**	(2,900)
Interest expenses	**4,653**	5,358
Depreciation of property, plant and equipment	**48,190**	35,044
Depreciation of right-of-use assets	**26,719**	25,719
Amortisation of intangible assets	**1,750**	10,074
(Reversal of impairment losses)/impairment losses of inventories	**(2,082)**	3,177
Gain on disposal of right-of-use assets	**–**	(6,900)
Impairment losses on intangible assets	**7,000**	–
Impairment losses on trade receivables, net	**1,647**	2,093
Operating profit before working capital changes	**156,037**	84,819
Increase in inventories	**(22,670)**	(3,883)
Decrease in trade receivables	**44,224**	46,085
Decrease in prepayments, deposits and other receivables	**15,716**	22,967
Increase/(decrease) in trade payables	**14,786**	(11,846)
Increase/(decrease) in accruals and other payables	**6,249**	(7,492)
Decrease in contract liabilities	**(2,914)**	(3,423)
Cash generated from operations	**211,428**	127,227
Income tax refund	**131**	–
Income tax paid	**(3,812)**	(6,986)
Net cash generated from operating activities	**207,747**	120,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on bank deposits	**2,543**	2,900
Proceeds from disposals of property, plant and equipment	**213**	1,468
Proceeds from disposal of right-of-use assets	**–**	7,471
Purchases of property, plant and equipment	**(32,699)**	(40,744)
Deposits paid for acquisition of a target company	**(101,879)**	–
Additions of intangible assets	**(509)**	(3,996)
Net cash generated used in investing activities	**(132,331)**	(32,901)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(182)**	(489)
Interest paid on lease liabilities	**(4,471)**	(4,869)
Increase in amount due to a director	**8,302**	–
Dividends paid	**(45,372)**	(34,029)
Borrowing raised	**1,709**	52,804
Repayment of bank borrowings	**(6,425)**	(62,989)
Repayment of lease liabilities	**(19,499)**	(18,432)
Net cash used in financing activities	**(65,938)**	(68,004)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,478**	19,336
Effect of foreign exchange rate changes	**(101)**	1,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**154,699**	133,832
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**164,076**	154,699
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**164,076**	154,699

1. GENERAL INFORMATION

Matrix Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its share are listed on The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2021, Smart Forest Limited, a company incorporated in the British Virgin Island ("BVI"), is the immediate and ultimate parent; and Mr. Cheng Yung Pun, who is also the chairman and executive director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendment to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rate (“IBOR reform”).

The amendments do not have an impact on these financial statements as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

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

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

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

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

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

(iii) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

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

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

(d) Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write-off their cost less their residual values over the estimated useful lives on a straight-line basis. The useful lives are as follows:

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

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

Construction in progress represents leasehold improvements of the properties managed by the Group and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leases

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

(i) The Group as a lessee

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

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

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

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leases (Continued)

(i) The Group as a lessee (Continued)

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

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

(ii) The Group as a lessor

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

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

If the property lease is subleased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sublease, the right-of-use asset is derecognised, and a subleasing receivable is recognised and classified as a finance lease. Gain/loss on the derecognised right-of-use asset, if any, is recognised in the profit or loss account as income/expenses.

During the term of the sublease, the Group recognises both finance income on the sublease and finance costs on the head lease.

(f) Inventories

Inventories comprise machinery and equipment, construction work materials and consumables and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Contract liabilities

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(h) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets (Continued)

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– Financial assets at fair value through other comprehensive income ("FVTOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECL"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

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

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in (m) to (o) below.

(m) Borrowings

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

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

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue and other income

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

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

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

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

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

Revenue from property leasing is recognised based on the straight-line method over the lease terms.

Broadcasting income is recognised upon delivery of completed television episodes to the broadcasting network in accordance with the contract timeline.

Royalty income is recognised upon receipt of periodical notifications and payments from licensees over the licensed period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

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

(s) Government grants

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(v) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Impairment of financial assets (Continued)

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

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

Significant increase in credit risk

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

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Impairment of financial assets (Continued)

Definition of default

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

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

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

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Impairment of financial assets (Continued)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Provisions and contingent liabilities

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

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

(x) Share-based payments

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payment determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line based over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(y) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

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

(i) Significant increase in credit risk

As explained in accounting policy disclosed in note 4(v), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

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

(iii) Revenue recognition from sales of products with no alternative use at a point in time

Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group for the performance completed to date with a reasonable margin. Accordingly, the sales of products with no alternative use is considered to be performance obligation satisfied at a point in time.

(iv) Contingent liabilities

As disclosed in note 38 to the consolidated financial statements, during the year ended 31 December 2021, the Group and Hasbro Group reached a memorandum of understanding, which stipulated that the Group pay US$3,000,000 for full release of all claims, with the exception of the remaining open claims of approximately US$5,240,000 (approximately US$6,100,000 less US$860,000 already paid by the Group). The open claims will be submitted to a neutral auditor, whose decision shall be final and binding. It is in the opinion of the directors of the Company, after seeking legal advices, as the audit process is on-going, it is too early to provide an evaluation of the likelihood of an unfavourable outcome for any estimate of a range of potential loss from the open claims. As such no further provision for the remaining claim is considered required to be made in the consolidated financial statements for the year ended 31 December 2021 in respect of these matters.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty

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

(i) Income taxes and deferred taxes

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

During the year, HK$16,279,000 (2020: HK$941,000) of income tax was charged to profit or loss based on the estimated profit from operations.

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2021 were HK$176,148,000 and HK$258,463,000 (2020: HK$190,026,000 and HK$270,009,000) respectively.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iii) Impairment of intangible assets

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

The carrying amount of goodwill at the end of the reporting period was approximately HK$96,822,000 (2020: approximately HK$101,361,000) after an impairment loss of HK$4,501,000 was recognised. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

The carrying amount of trademark at the end of the reporting period was approximately HK$7,863,000 (2020: approximately HK$10,451,000) after an impairment loss of HK$2,499,000 was recognised. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

(iv) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2021, the carrying amount of trade receivables is approximately HK$185,482,000 (net of allowance for doubtful debts of approximately HK$4,597,000) (2020: approximately HK$233,000,000 (net of allowance for doubtful debts of approximately HK$6,516,000)).

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollar ("USD"), Macau Pataca ("MOP"), Renminbi ("RMB"), Australian dollar ("AUD") and Canadian dollar ("CAD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's foreign currency denominated financial assets and at the end of the reporting period, are as follows:

	Exposure to foreign currencies			
	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
USD	**129,512**	137,227	**55,284**	30,155
MOP	**18,779**	3,778	**23,629**	18,223
RMB	**915**	3,215	**10,367**	9,514
AUD	**7,838**	4,538	**–**	–
CAD	**2,055**	3,663	**–**	–
Others	**10,005**	2,708	**45,432**	37
Intragroup balances				
USD	**2,674,216**	2,078,219	**2,742,079**	1,895,806

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

Sensitivity analysis

The following analysis illustrates the impact for a 5% (2020: 5%) strengthening of the functional currency of the relevant group entities against the relevant currency and a positive and negative number below indicates an increase and a decrease in profit after tax respectively. For a 5% (2020: 5%) weakening of the functional currency of the relevant group entities against the relevant currency, there would be an equal and opposite impact on the profit after tax.

	2021 **HK$'000**	2020 HK$'000
USD	**(5,668)**	4,487
RMB	**(422)**	(259)
AUD	**362**	197
CAD	**85**	153

The directors of the Company consider that the foreign currency exposure in respect of MOP for the years ended 31 December 2021 and 2020 are insignificant to the Group and therefore no sensitivity analysis is presented thereon.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

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

For trade receivables

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

As at 31 December 2021, the Group had concentration of credit risk on trade receivables as 67% (2020: 66%) of its trade receivables were due from the five largest customers.

The Group measures loss allowances for trade receivable at an amount equal to lifetime ECLs which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade receivables (Continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021:

	Current HK$'000	Not more than 90 days past due HK$'000	More than 90 days past due HK$'000	Total HK$'000
As at 31 December 2021				
Expected loss rate				
– Individual assessed				
• Company A	0.05%	0.24%	0.60%	
• Company B	0.05%	0.24%	0.60%	
• Company C	1.68%	4.28%	6.89%	
• Company D	0.02%	0.08%	0.20%	
– Collectively assessed	1.88%	4.90%	7.25%	
– Specifically assessed	–	–	100%	
Gross carrying amount				
– Individual assessed				
• Company A	7,137	144	405	7,686
• Company B	6,344	324	177	6,845
• Company C	50,985	7,275	815	59,075
• Company D	42,719	1,735	1,958	46,412
	107,185	9,478	3,355	120,018
– Collectively assessed	46,379	21,691	623	68,693
– Specifically assessed	–	–	1,368	1,368
Total	153,564	31,169	5,346	190,079
Loss allowance				
– Individual assessed				
• Company A	(3)	(1)	(2)	(6)
• Company B	(3)	(1)	(1)	(5)
• Company C	(856)	(312)	(56)	(1,224)
• Company D	(9)	(1)	(4)	(14)
	(871)	(315)	(63)	(1,249)
– Collectively assessed	(872)	(1,063)	(45)	(1,980)
– Specifically assessed	–	–	(1,368)	(1,368)
Total	(1,743)	(1,378)	(1,476)	(4,597)

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade receivables (Continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

	Current HK$'000	Not more than 90 days past due HK$'000	More than 90 days past due HK$'000	Total HK$'000
As at 31 December 2020				
Expected loss rate				
– Individual assessed				
• Company A	0.03%	0.21%	0.47%	
• Company B	0.03%	0.21%	0.47%	
• Company C	1.05%	3.96%	5.59%	
• Company D	0.01%	0.07%	0.19%	
– Collectively assessed	0.52%	3.25%	5.03%	
– Specifically assessed	–	–	100%	
Gross carrying amount				
– Individual assessed				
• Company A	12,669	3,066	45	15,780
• Company B	5,991	817	8	6,816
• Company C	20,833	38,897	2	59,732
• Company D	57,772	2,284	751	60,807
	97,265	45,064	806	143,135
– Collectively assessed	54,037	34,952	4,292	93,281
– Specifically assessed	–	–	3,100	3,100
Total	151,302	80,016	8,198	239,516
Loss allowance				
– Individual assessed				
• Company A	(4)	(6)	(1)	(11)
• Company B	(2)	(2)	(1)	(5)
• Company C	(219)	(1,540)	(1)	(1,760)
• Company D	(6)	(1)	(2)	(9)
	(231)	(1,549)	(5)	(1,785)
– Collectively assessed	(281)	(1,137)	(214)	(1,632)
– Specifically assessed	–	–	(3,099)	(3,099)
Total	(512)	(2,686)	(3,318)	(6,516)

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade receivables (Continued)

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

	Lifetime ECL (individual and collective assessment-not credit-impaired)	Lifetime ECL (Specific assessment-credit-impaired)	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2020	4,622	4,764	9,386
Transfer to credit impaired	(19)	19	–
Impairment losses recognised	–	4,474	4,474
Impairment losses reversed	(4,603)	(1,195)	(5,798)
Write-off	–	(4,963)	(4,963)
New financial assets originated	3,417	–	3,417
At 31 December 2020 and 1 January 2021	**3,417**	**3,099**	**6,516**
Transfer to credit impaired	**(1,835)**	**1,835**	**–**
Impairment losses reversed	**(578)**	**–**	**(578)**
Write-off	**–**	**(3,566)**	**(3,566)**
New financial assets originated	**2,225**	**–**	**2,225**
At 31 December 2021	**3,229**	**1,368**	**4,597**

Other financial assets at amortised costs

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

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

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

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Between 2 to 5 years HK$'000	Total HK$'000
At 31 December 2021					
Trade payables	**71,961**	**–**	**–**	**–**	**71,961**
Other payables and accruals	**50,404**	**–**	**–**	**–**	**50,404**
Bank borrowings *(note)*	**2,096**	**2,096**	**4,017**	**–**	**8,209**
Lease liabilities	**21,268**	**20,752**	**23,474**	**54,730**	**120,224**
	145,729	**22,848**	**27,491**	**54,730**	**250,798**
At 31 December 2020					
Trade payables	57,175	–	–	–	57,175
Other payables and accruals	46,677	–	–	–	46,677
Bank borrowings *(note)*	4,763	2,039	6,387	–	13,189
Lease liabilities	23,214	18,975	37,386	33,562	113,137
	131,829	21,014	43,773	33,562	230,178

Note: Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 20201 and 2020, the total undiscounted principal amounts of these bank loans amounted to approximately HK$7,911,000 and HK$12,627,000 respectively. The directors of the Company do not believe it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid one to give years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

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

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Borrowing Rate arising from the Group's HK$ denominated bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period and assumed that the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points (2020: 50 basis points) were used when increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rate.

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on bank loans had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease/increase by HK$33,000 (2020: HK$53,000).

(e) Categories of financial instruments at 31 December:

	2021 **HK$'000**	2020 HK$'000
Financial assets:		
Financial assets at amortised cost	**360,932**	398,078
Financial liabilities:		
Financial liabilities at amortised cost	**130,276**	116,479

(f) Fair values

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

7. REVENUE

Disaggregation of revenue with customers within the scope of HKFRS 15

	2021	2020
	HK$'000	HK$'000
Types of products:		
– Manufacturing and trading of toys	**1,043,113**	859,211
– Manufacturing and trading of lighting products	**39,524**	41,930
	1,082,637	901,141
Timing of recognition:		
– At a point in time	**1,082,637**	901,141
	1,082,637	901,141

8. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision makers, regularly review revenue analysis by customers and by locations. The executive directors of the Company considered the operating activities of manufacturing and trading of toys and lighting products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

8. SEGMENT INFORMATION (Continued)

The Group's reportable segments are based on the following geographic location of customers. Locations other than the following countries which are individually below 10 per cent are aggregated and presented under "other locations".

1. The United States
2. Europe
3. Mexico
4. Canada
5. South America
6. Australia and New Zealand

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

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

– Segment profits or losses do not include certain other income, other gains and losses, central administrative costs, directors' emoluments and finance costs;

– Segment assets include all tangible, intangible assets and current assets with the exception of property, plant and equipment, right-of-use assets, intangible assets, deferred tax assets and other corporate assets, which are managed on a central basis; and

– Segment liabilities include all current and non-current liabilities with the exception of accrued central administration costs and liabilities.

8. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results:

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

For the year ended 31 December 2021

	Reportable segments									
	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Total reportable segments HK$'000	Other locations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	814,094	88,931	12,792	95,983	12,065	41,567	1,065,432	17,205	–	1,082,637
Results segment profit/(loss)	213,904	1,794	1,469	14,733	3,278	(485)	234,693	3,675	–	238,368
Unallocated other income										12,683
Unallocated corporate expenses										(175,482)
Finance costs										(4,653)
Profit before income tax										70,916
Other segment information										
Depreciation and amortisation	51,737	2,908	404	2,929	384	1,389	59,751	547	16,361	76,659
Impairment losses of intangible assets	–	–	–	–	–	–	–	–	7,000	7,000
Impairment losses of trade receivables	1,239	135	19	146	18	63	1,620	27	–	1,647
Reversal of impairment losses on inventories	(1,566)	(171)	(25)	(185)	(23)	(80)	(2,050)	(32)	–	(2,082)

8. SEGMENT INFORMATION (Continued)

(b) Segment revenue and results: (Continued)

For the year ended 31 December 2020

	Reportable segment									
	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Total reportable segments HK$'000	Other locations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	677,497	78,650	13,813	73,548	7,045	37,062	887,615	13,526	–	901,141
Results segment profit/(loss)	140,945	(84)	893	7,234	1,287	2,830	153,105	2,874	–	155,979
Unallocated other income										2,919
Unallocated corporate expenses										(144,608)
Finance costs										(5,358)
Profit before income tax										8,932
Other segment information										
Depreciation and amortisation	57,699	3,866	692	3,579	357	1,881	68,074	682	2,081	70,837
Impairment losses of trade receivables	1,575	183	33	171	16	86	2,064	29	–	2,093
Impairment losses of inventories	2,389	277	49	259	25	131	3,130	47	–	3,177

8. SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities:

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

At 31 December 2021

	Reportable segment								
	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Total reportable segments HK$'000	Other locations HK$'000	Consolidated HK$'000
ASSETS									
Segment assets	430,548	28,680	4,161	32,676	3,570	16,523	516,158	28,994	545,152
Reconciliation:									
Unallocated assets									
– Property, plant and equipment									176,148
– Right-of-use assets									258,463
– Intangible assets									104,685
– Deferred tax assets									26,087
– Other current assets									305,607
Total assets									1,416,142
LIABILITIES									
Segment liabilities	105,298	9,507	850	6,765	802	4,594	127,816	2,996	130,812
Reconciliation:									
Unallocated liabilities									
– Bank borrowings									7,911
– Lease liabilities									77,565
– Deferred tax liabilities									1,059
– Other current liabilities									71,627
Total liabilities									288,974

8. SEGMENT INFORMATION (Continued)

(d) Segment assets and liabilities: (Continued)

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

At 31 December 2020

	Reportable segment								
	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Total reportable segments HK$'000	Other locations HK$'000	Consolidated HK$'000
ASSETS									
Segment assets	426,098	42,153	7,181	38,131	2,856	22,680	539,099	24,874	563,973
Reconciliation:									
Unallocated assets									
– Property, plant and equipment									190,026
– Right-of-use assets									270,009
– Intangible assets									113,053
– Deferred tax assets									24,780
– Other current assets									212,501
Total assets									1,374,342
LIABILITIES									
Segment liabilities	90,702	8,282	876	6,126	447	3,526	109,959	2,627	112,586
Reconciliation:									
Unallocated liabilities									
– Bank borrowings									12,627
– Lease liabilities									82,822
– Deferred tax liabilities									964
– Other current liabilities									49,703
Total liabilities									258,702

8. SEGMENT INFORMATION (Continued)

(e) Geographical information:

The Group's information about its non-current assets by location of assets are as follow:

	2021 HK$'000	2020 HK$'000
Hong Kong	**5,005**	8,914
Vietnam	**448,967**	356,311
The United States	**42,481**	55,703
The PRC	**40,549**	42,381
Europe	**7,629**	9,818
Other countries	**16,096**	11,973
	560,727	485,100

Note: The above non-current assets excluded intangible assets and deferred tax assets.

(f) Revenue from major customers:

Revenue from two customers (2020: 2 customers) of the Group's the United States segment represents approximately HK$639,706,000 (2020: HK$507,899,000) of the Group's total revenue for the year ended 31 December 2021.

9. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grants *(note (i))*	–	4,400
Interest income on bank deposits	2,543	2,900
Rental income	2,675	936
Sales of scrap materials and samples	2,215	19
Royalty income	292	633
Others *(note (ii))*	6,731	2,009
	14,456	10,897

Note (i): During the year ended 31 December 2020, the Group recognised government grants in respect of Covid-19 related subsidies under Employment Support Scheme provided by the Hong Kong government and under Paycheck Protection Program provided by the government of the United States.

Note (ii): Included in others are broadcasting income and racing prize money.

10. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Gain/(loss) on disposals of property, plant and equipment	213	(4,222)
Gain on disposal of right-of-use assets	–	6,900
Exchange loss, net	(2,701)	(1,725)
Impairment losses of trade receivables, net	(1,647)	(2,093)
	(4,135)	(1,140)

11. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expense on bank borrowings	**182**	489
Interest expense on lease liabilities	**4,471**	4,869
	4,653	5,358

12. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax		
– Hong Kong		
Provision for the year	**–**	–
Over-provision in prior years	**–**	(22)
	–	(22)
– Other jurisdictions		
Provision for the year	**17,501**	3,868
Over-provision in prior years	**(13)**	(2,558)
	17,488	1,310
Deferred tax *(note 31)*	**(1,209)**	(347)
	16,279	941

For the year ended 31 December 2021, under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the tow-tiered profit tax regime as insignificant to the consolidated financial statements. Hong Kong Profit Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profit for the year ended 31 December 2021.

Vietnam enterprise income tax rules and regulations, the applicable tax rates for subsidiaries operating in Vietnam range from 10% to 20% (2020: 10% to 20%) for the year ended 31 December 2021.

12. INCOME TAX EXPENSE (Continued)

United States enterprise income tax rate for subsidiaries operating in the US is 19% (2020: 21%) for the year ended 31 December 2021.

A subsidiary of the Group established in Macau was exempted form Macau Complementary Tax for relevant offshore business for the year ended 31 December 2020. This subsidiary no longer entitled to tax exemption during the year ended 31 December 2021 and the applicable tax rate is 12%.

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

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable rate is as follows:

	2021 **HK$'000**	2020 HK$'000
Profit before tax	**70,916**	8,932
Tax at applicable tax rates in the jurisdictions concerned	**792**	206
Tax effect of income that is not taxable	**(127)**	(125)
Tax effect of expenses that are not deductible	**21,849**	3,895
Tax effect of tax losses not recognised	**349**	15,297
Utilisation of unrecognised tax loss	**(5,597)**	–
Over-provisions in prior years	**(13)**	(2,580)
Profits exempted from tax	**–**	(15,993)
Others	**(974)**	241
Income tax expense	**16,279**	941

13. PROFIT FOR THE YEAR

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

	2021 **HK$'000**	2020 HK$'000
Auditor's remuneration		
– Audit services	**3,566**	4,070
– Non audit services	**969**	924
Amortisation of intangible assets *(note 21)*	**1,750**	10,074
Cost of inventories sold	**638,910**	539,908
Depreciation of property, plant and equipment *(note 19)*	**48,190**	35,044
Depreciation of right-of-use assets *(note 20)*	**26,719**	25,719
Impairment losses of trade receivables, net	**1,647**	2,093
(Reversal of impairment losses)/impairment losses on inventories	**(2,082)**	3,117
Impairment losses on intangible assets	**7,000**	–
Legal and professional fees	**19,441**	39,461
Royalty expenses	**52,743**	26,943
Research and development costs recognised as expenses	**21,529**	23,061

14. EMPLOYEE BENEFITS EXPENSES

	2021 **HK$'000**	2020 HK$'000
Employee benefits expenses (including directors' emoluments)		
Salaries, bonuses and allowances	**290,593**	286,283
Retirement benefit scheme contributions	**3,484**	3,891
Staff welfare	**11,540**	14,944
	305,617	305,118

14. EMPLOYEE BENEFITS EXPENSES (Continued)

Five highest paid individuals:

The five highest paid individuals in the Group during the year included one (2020: one) director whose emoluments are reflected in the analysis shown above. The emoluments of the remaining four (2020: four) individuals are set out below:

	2021 **HK$'000**	2020 HK$'000
Salaries, bonuses and allowances	**10,739**	9,594
Retirement benefit scheme contributions	**328**	399
	11,067	9,993

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

	Number of individuals	
	2021	2020
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**1**	1

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

For both years, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as a compensation for the loss of office.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Fee HK$'000	Salary HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2021				
Executive directors				
Cheng Yung Pun	–	1,119	–	1,119
Yu Sui Chuen *(note)*	–	919	–	919
Tse Kam Wah	–	1,474	–	1,474
Tsang Chung Wa	–	1,180	18	1,198
Cheng King Cheung	–	1,833	91	1,924
Yip Hiu Har	–	2,794	18	2,812
Independent non-executive directors				
Loke Yu alias Loke Hoi Lam	100	–	–	100
Mak Shiu Chung, Godfrey	100	–	–	100
Wan Hing Pui *(note)*	50	–	–	50
Heng Victor Ja Wei	100	–	–	100
Total	350	9,319	127	9,796

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Salary HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2020				
Executive directors				
Cheng Yung Pun	–	861	–	861
Yu Sui Chuen *(note)*	–	1,404	8	1,412
Tse Kam Wah	–	1,304	–	1,304
Tsang Chung Wa	–	1,044	18	1,062
Cheng King Cheung	–	1,833	91	1,924
Yip Hiu Har	–	1,127	18	1,145
Independent non-executive directors				
Loke Yu alias Loke Hoi Lam	100	–	–	100
Mak Shiu Chung, Godfrey	100	–	–	100
Wan Hing Pui *(note)*	100	–	–	100
Heng Victor Ja Wei	100	–	–	100
Total	400	7,573	135	8,108

Note: Resigned on 1 July 2021.

None of the directors waived any emoluments during the year (2020: Nil).

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

Other than those related party transactions and balances disclosed in note 40 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

16. RETIREMENT BENEFITS – DEFINED CONTRIBUTION PLANS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Ordinance. Both the Group's and the employees' contributions are subject to a cap of HK$1,500 per month.

The Group has no further obligations for post-retirement benefits in relation to its Hong Kong employees beyond the contributions to the MPF Scheme.

Eligible employees in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute certain percentages of the relevant part of the payroll of these employees to the pension schemes to fund the benefits.

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

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

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

17. DIVIDENDS

	2021 **HK$'000**	2020 HK$'000
Dividends paid:		
– 2019 final (HK3 cents per share)	**–**	22,686
– 2020 interim (HK1.5 cents per share)	**–**	11,343
– 2020 final (HK4 cents per share)	**30,248**	–
– 2021 interim (HK2 cents per share)	**15,124**	–
	45,372	34,029

Subsequent to the end of the reporting period, the directors of the Company proposed a final dividend in respect of the year ended 31 December 2021 of HK6 cents per share.

18. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

	2021 **HK$'000**	2020 HK$'000
Earnings		
Earnings attributable to owners of the Company and profit for the purpose of calculating earnings per share	**55,092**	10,588
Number of shares		
Weighted average number of ordinary shares of the purpose of basic earnings per share	**756,203,000**	756,203,000
Effect of dilutive potential ordinary shares arising from share options	**–**	752,000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**756,203,000**	756,955,000

For the year ended 31 December 2020, the share options have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption of the conversion of all potential dilutive ordinary shares arising from the share options.

For the year ended 31 December 2021, no diluted loss per share was presented as the Company did not have any diluted potential ordinary shares.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Others HK$'000 *(note)*	Total HK$'000
Cost							
At 1 January 2020	135,130	24,871	217,676	154,699	11,307	38,525	582,208
Transfer from right-of-use assets *(note 22)*	14,111	–	–	–	(14,111)	–	–
Additions	2,480	219	17,669	–	6,142	27,089	53,599
Disposals	–	(3,748)	(11,329)	(209)	–	(14,982)	(30,268)
Exchange differences	(48)	(31)	(56)	–	(6)	(204)	(345)
At 31 December 2020 and 1 January 2021	151,673	21,311	223,960	154,490	3,332	50,428	605,194
Additions	188	1,751	14,608	–	624	15,528	32,699
Disposals	–	(2,161)	–	(223)	–	(3,586)	(5,970)
Exchange differences	2,131	–	3,966	–	271	(628)	5,740
At 31 December 2021	153,992	20,901	242,534	154,267	4,227	61,742	637,663
Accumulated depreciation and impairment							
At 1 January 2020	56,264	20,943	159,326	143,783	–	24,644	404,960
Charge for the year	6,064	1,162	16,696	5,968	–	5,154	35,044
Disposals	–	(3,744)	(9,718)	(194)	–	(10,922)	(24,578)
Exchange differences	14	(49)	(41)	–	–	(182)	(258)
At 31 December 2020 and 1 January 2021	62,342	18,312	166,263	149,557	–	18,694	415,168
Charge for the year	6,321	729	16,782	4,304	–	20,054	48,190
Disposals	–	(2,161)	–	(223)	–	(3,586)	(5,970)
Exchange differences	903	–	2,955	–	–	269	4,127
At 31 December 2021	69,566	16,880	186,000	153,638	–	35,431	461,515
Carrying amount							
At 31 December 2021	84,426	4,021	56,534	629	4,227	26,311	176,148
At 31 December 2020	89,331	2,999	57,697	4,933	3,332	31,734	190,026

Note: Other include items, such as tooling equipment, containers and motor vehicles. During the year, the addition mainly represented livestocks acquired, which do not involve biological transformation for sale.

20. RIGHT-OF-USE ASSETS

	Leasehold land and land use rights HK$'000	Leased properties HK$'000	Leased office equipment HK$'000	Total HK$'000
At 1 January 2020	196,447	76,869	1,821	275,137
Additions	–	22,330	–	22,330
Depreciation	(4,551)	(20,218)	(950)	(25,719)
Lease termination	–	(1,713)	–	(1,713)
Exchange differences	(599)	479	94	(26)
At 31 December 2020 and 1 January 2021	**191,297**	**77,747**	**965**	**270,009**
Additions	**–**	**14,242**	**–**	**14,242**
Depreciation	**(4,989)**	**(21,275)**	**(455)**	**(26,719)**
Exchange differences	**585**	**346**	**–**	**931**
At 31 December 2021	**186,893**	**71,060**	**510**	**258,463**

Lease liabilities of HK$77,565,000 (2020: HK$82,822,000) are recognised with related right-of-use assets of HK$258,463,000 as at 31 December 2021 (2020: HK$270,009,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets	**26,719**	25,719
Interest expense on lease liabilities (included in finance cost) *(note 11)*	**4,471**	4,869
Expenses relating to short-term lease (included in administrative expenses)	**4,911**	6,218

Details of total cash outflow for leases is set out in note 36.

For both years, the Group had leased properties and leased office equipment for its operations. Lease contracts are entered into for fixed term of 2 to 15 years (2020: 2 to 15 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

21. INTANGIBLE ASSETS

	Goodwill	Customer base	Patents	Trademarks	TV programs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(note (i))	*(note (ii))*	
Cost						
At 1 January 2020	101,237	74,620	14,630	10,164	63,984	264,635
Additions	–	–	–	–	3,996	3,996
Exchange differences	124	–	–	287	–	411
At 31 December 2020 and 1 January 2021	**101,361**	**74,620**	**14,630**	**10,451**	**67,980**	**269,042**
Additions	**–**	**–**	**–**	**–**	**509**	**509**
Exchange differences	**(38)**	**–**	**–**	**(89)**	**–**	**(127)**
Write off	**–**	**(74,620)**	**–**	**–**	**–**	**(74,620)**
At 31 December 2021	**101,323**	**–**	**14,630**	**10,362**	**68,489**	**194,804**
Accumulated depreciation and impairment						
At 1 January 2020	–	(74,620)	(14,372)	–	(56,923)	(145,915)
Charge for the year	–	–	(258)	–	(9,816)	(10,074)
At 31 December 2020 and 1 January 2021	**–**	**(74,620)**	**(14,630)**	**–**	**(66,739)**	**(155,989)**
Impairment loss for the year	**(4,501)**	**–**	**–**	**(2,499)**	**–**	**(7,000)**
Amortisation for the year	**–**	**–**	**–**	**–**	**(1,750)**	**(1,750)**
Write off	**–**	**74,620**	**–**	**–**	**–**	**74,620**
At 31 December 2021	**(4,501)**	**–**	**(14,630)**	**(2,499)**	**(68,489)**	**(90,119)**
Carrying amount						
At 31 December 2021	**96,822**	**–**	**–**	**7,863**	**–**	**104,685**
At 31 December 2020	101,361	–	–	10,451	1,241	113,053

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

21. INTANGIBLE ASSETS (Continued)

Note (ii): TV programs under production represent the development, production and distribution of children's animated television series. Costs of the production comprise fees paid and repayable under agreements, and direct costs/expenses incurred during the production of the program. TV programs under production are accounts for on a project-by-project basis and are stated at cost less impairment. TV programs, less estimated residual value and any accumulated impairment losses are amortised using the straight-line method to allocate the cost of TV programs over their estimated useful life ranged from within one year to three years.

Note (iii): Impairment tests for goodwill of toys business

Goodwill of HK$96,822,000 (2020: HK$96,822,000) is mainly allocated to a cash-generating unit in the toys business in the United States market related to the acquisition of Funrise Holdings, LLC, Funrise, Inc. and Code 3 Collectibles LLC (together referred to as "Funrise Group") in 2007 ("CGU A"). The Group performs impairment test on goodwill annually, or more frequently if there is any indication that it may be impaired, by comparing the recoverable amount to the carrying amount as at the date of the consolidated statement of financial position.

The recoverable amount of the CGU A has been determined based on a value in use calculation. The calculation uses cash flow forecast projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady 2.5% growth rate. The management determines budgeted gross margin based on past performance and their expectation of market development. The cash flow projections, growth rates and discount rate have been reassessed as at 31 December 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations. The pre-tax discount rate applied to the cash flow forecast is 17.5% (2020: 15.6%) and it reflects specific risks relating to the relevant operating unit. The sales growth rate applied to cash flow forecast is ranged from 3% to 10% (2020: 3% to 28%).

Based on the value in use in the calculation, no impairment loss on goodwill was recognised for the years ended 31 December 2021 and 2020.

The recoverable amount calculated based on value in use exceeds carrying value of the CGU A. If the estimated discount rate used in determining the recoverable amounts of CGU A had been 1% higher than the management's estimates as at 31 December 2021 and 2020, there would not be an impact on the carrying value of goodwill.

Note (iv): Impairment tests for goodwill and trademark of the lighting business

Goodwill of HK$4,501,000 (2020: HK$4,539,000) and trademark of HK$10,362,000 (2020: HK$10,451,000) are allocated to the Group's cash-generating unit in the design, manufacturing, marketing and distribution of energy efficient lighting products related to the acquisition of Fern-Howard Limited ("CGU B"). The Group performs impairment tests on goodwill and trademark annually, or more frequently if there is any indication that it may be impaired, by comparing the recoverable amount to the carrying amount as at the date of the consolidated statement of financial position.

During the year ended 31 December 2021, due to worsening business performance of CGU B, the directors of the Group conducted an impairment review on the related assets of CGU B.

The recoverable amount of the CGU B has been determined based on a value in use calculation. The calculation uses cash flow forecast projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady 2% growth rate. The management determines budgeted gross margin based on past performance and their expectation of market development. The cash flow projections, growth rates and discount rate have been reassessed as at 31 December 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations. The pre-tax discount rate applied to the cash flow forecast is 21% (2020: 18.1%) and it reflects specific risks relating to the relevant operating unit. The sales growth rate applied to cash flow forecast is ranged from 2% to 14% (2020: 10% to 55%).

Based on the value in use calculation, the recoverable amount is lower than the carrying amount of CGU B and thus an impairment loss of HK$4,501,000 (2020: Nil) on goodwill and an impairment loss on HK$2,499,000 on trademark (2020: Nil) was recognised for the year ended 31 December 2021.

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued capital/ paid-in capital	Percentage ownership/ voting power/profit sharing	Principal activities
Funrise, Inc.	The United States	US$7,500 common shares	100% (indirect)	Wholesale distribution and importation of toy and sales of accessories connected with its products ranges
Funrise Toys Limited	Hong Kong	HK$10,000 preference shares HK$90,000 ordinary shares HK$10,000 redeemable shares	100% (indirect)	Wholesale distribution and importation of toy and sales of accessories connected with its products ranges
Funrise Toys (HK) Limited	Hong Kong	HK$1,000 ordinary shares	100% (indirect)	Wholesale distribution and importation of toy and sales of accessories connected with its products ranges
Mega Management Services Limited	Hong Kong	HK$10 ordinary shares	100% (indirect)	Provision of management services
Javi Investment Joint Stock Company	Vietnam	VND160,000,000,000 ordinary shares	100% (indirect)	Investment holding
Keyhinge Enterprises (Macao Commercial Offshore) Company Limited	Macau	MOP100,000 quota capital	100% (indirect)	Purchase and trading of toys
Matrix Manufacturing Vietnam Company Limited	Vietnam	US$14,960,000 contributed	100% (indirect)	Manufacture of toys and lighting products

22. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued capital/ paid-in capital	Percentage ownership/ voting power/profit sharing	Principal activities
Keyhinge Toys Vietnam Joint Stock Company	Vietnam	US$49,429,000 (2020: US$47,719,000) contributed legal capital	100% (indirect)	Manufacture of toys and lighting products
Matrix Vinh Company Limited	Vietnam	US$4,849,000 contributed legal capital	100% (indirect)	Manufacture of toys
Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. *(note)*	PRC	US$5,910,000 registered capital	100% (indirect)	Manufacture of toys
Matrix Lighting Limited	BVI	US$10 ordinary shares	100% (indirect)	Trading of lighting products
Viribright Lighting Inc.	The United States	US$10,000 common shares of stock	100% (indirect)	Trading of lighting products
Fern-Howard Limited	The United Kingdom	GBP2,769,252 ordinary shares	65% (indirect)	Manufacturing and trading of lighting products

Note: A wholly foreign owned enterprise in the PRC.

22. INVESTMENTS IN SUBSIDIARIES (Continued)

Summarised financial information in respect of the Group's subsidiary operating in the United Kingdom, Fern-Howard Limited, that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2021 HK$'000	2020 HK$'000
At 31 December:		
Non-current assets	**319**	70
Current assets	**26,173**	27,415
Non-current liabilities	**(421)**	(424)
Current liabilities	**(54,286)**	(54,228)
Net liabilities	**(28,215)**	(27,167)
Accumulated NCI	**(6,198)**	(5,743)
Year ended 31 December		
Revenue	**21,090**	25,908
Loss for the year	**(1,299)**	(7,418)
Other comprehensive income	**251**	(987)
Total comprehensive income	**(1,048)**	(8,405)
Loss allocated to NCI	**(455)**	(2,597)
Net cash generated from operating activities	**9,723**	11,431
Net cash (used in)/generated from investing activities	**(295)**	474
Net cash used in financing activities	**(2,495)**	(9,765)
Net increase in cash and cash equivalent	**6,933**	2,140

23. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**157,194**	120,512
Work in progress	**86,274**	52,150
Finished goods	**85,203**	131,257
	328,671	303,919

The reversal of impairment loss on slow-moving inventories of approximately HK$2,082,000 (2020: impairment loss on slow-moving inventories of HK$3,177,000) has been recognised and included in cost of sales during the year ended 31 December 2021.

24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**190,079**	239,516
Less: allowance for doubtful debts	**(4,597)**	(6,516)
	185,482	233,000
Prepayments	**20,056**	33,590
Deposits	**142,222**	39,722
– for proposed acquisition of a target company *(note)*	**122,171**	20,291
– for raw materials and plant and machineries	**13,626**	13,281
– for rental and utilities	**6,425**	6,150
Other receivables	**7,737**	8,893
	355,497	315,205
Less: non-current portion	**(126,116)**	(25,065)
	229,381	290,140

Note: On 27 July, 2021, a wholly-owned subsidiary of the Company Keyhinge Toys Vietnam Joint Stock Company entered into a master capital transfer agreement ("Master Agreement") with a party, NGUYEN HA Chi being the transferor, in respect of the proposed acquisition of a target company and pursuant to which the transferor conditionally agreed to sell the entire equity interests in the target company, subject to condition precedent, for a total cash consideration of VND356,950,000,000 (equivalent to approximately HK$122,171,000). The target company will hold certain land plots in Danang City, Vietnam upon completion of the acquisition. This Master Agreement can be terminated by mutual agreement of the parties or either parties in the Master Agreement breaching the terms of the Master Agreement, and such sum will be refunded.

24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The Group allows a credit period ranged from 14 to 90 days to its customers. The aging analysis of trade debtors based on the invoice date, and net of allowance is a as follows:

	2021 **HK$'000**	2020 HK$'000
0 to 60 days	**143,159**	175,995
61 to 90 days	**26,667**	31,579
More than 90 days	**15,656**	25,426
	185,482	233,000

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

	2021 **HK$'000**	2020 HK$'000
At 1 January	**6,516**	9,386
Write-off	**(3,566)**	(4,963)
Net impairment losses recognised for the year	**1,647**	2,093
At 31 December	**4,597**	6,516

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
USD	**155,540**	183,093
CAD	**10,419**	15,615
GBP	**7,185**	19,396
Others	**12,338**	14,896
	185,482	233,000

25. BANK AND CASH BALANCES

	2021 HK$'000	2020 HK$'000
Cash on hand	**145**	174
Cash at bank	**163,931**	154,525
Total bank and cash balances	**164,076**	154,699

At 31 December 2021, cash of bank carried interest at market rate ranging from 0.01% to 4.80% per annum (2020: ranging from 0.01% to 4.78% per annum), thus exposing the Group to fair value interest rate risk.

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**12,923**	13,679
USD	**51,403**	52,859
VND	**54,136**	60,180
GBP	**12,675**	6,276
AUD	**9,704**	7,200
EUR	**16,283**	6,320
Other	**6,952**	8,185
	164,076	154,699

26. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**71,961**	57,175
Accrued employee benefit expenses	**46,093**	43,571
Other payables and accruals	**50,404**	46,677
	168,458	147,423

26. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

The aging analysis of the Group's trade payables, based on the date of receipt of goods, is as follows:

	2021 HK$'000	2020 HK$'000
0 to 60 days	**36,639**	37,841
61 to 90 days	**21,179**	5,501
More than 90 days	**14,143**	13,833
	71,961	57,175

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**22,178**	17,834
USD	**19,106**	12,362
RMB	**8,443**	8,419
VND	**15,808**	12,047
Others	**6,426**	6,513
	71,961	57,175

27. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Billing in advance of performance obligation		
– Sales of toys	**6,587**	9,500
– Sales of lighting products	**121**	122
	6,708	9,622

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

27. CONTRACT LIABILITIES (Continued)

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
At 1 January	**9,622**	13,036
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at the beginning of the year	**(9,622)**	(13,036)
Increase in contract liabilities as a result of billing in advance of sales of toys and lighting products	**6,708**	9,622
At 31 December	**6,708**	9,622

28. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, non-interesting bearing and repayable on demand.

29. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank borrowings	**7,911**	12,627

The bank borrowings are repayable as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**1,967**	4,716
More than one year, but not exceeding two years	**2,001**	1,967
More than two years, but not exceeding five years	**3,943**	5,944
	7,911	12,627
Portion of bank borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**(7,911)**	(12,627)
Amount due for settlement after 12 months	**–**	–

29. BANK BORROWINGS (Continued)

The carrying amounts of the Group's bank borrowings are denominated in HK$.

The Group's bank borrowings of HK$7,911,000 (2020: HK$12,627,000) are arranged at variable rates, thus exposing the Group to cash flow interest rate risk. As at 31 December 2021, the effective interest rates of the Group's bank borrowings are 1.86% (2020: 2.05%) per annum.

30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
Within one year	**21,268**	23,214	**17,074**	19,215
More than one year, but not exceeding two years	**20,752**	18,975	**17,403**	15,877
More than two years, but not more than five years	**78,204**	70,948	**43,088**	47,730
	120,224	113,137	**77,565**	82,822
Less: Future finance charges	**(42,659)**	(30,315)	**N/A**	N/A
Present value of lease obligations	**77,565**	82,822	**77,565**	82,822
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(17,074)**	(19,215)
Amount due for settlement after 12 months			**60,491**	63,607

The carrying amounts of the Group's lease liabilities are mainly denominated in USD and VND.

31. DEFERRED TAX

The analysis of the deferred tax assets and deferred tax liabilities are as follows:

	2021	2020
	HK$'000	HK$'000
Deferred tax assets	**(26,087)**	(24,780)
Deferred tax liabilities	**1,059**	964
	(25,028)	(23,816)

The movement in net deferred tax (assets) liabilities are as follows:

	Accelerated tax depreciation	**Tax losses**	**Allowance for doubtful debts**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000 *(note)*	HK$'000
At 1 January 2020	(2,230)	(8,003)	(749)	(12,499)	(23,481)
(Credited)/charged to profit or loss for the year *(note 12)*	733	–	(234)	(846)	(347)
Exchange differences	–	–	–	12	12
At 31 December 2020 and 1 January 2021	**(1,497)**	**(8,003)**	**(983)**	**(13,333)**	**(23,816)**
(Credited)/charged to profit or loss for the year *(note 12)*	**(916)**	**–**	**874**	**(1,167)**	**(1,209)**
Exchange differences	**–**	**–**	**–**	**(3)**	**(3)**
At 31 December 2021	**(2,413)**	**(8,003)**	**(109)**	**(14,503)**	**(25,028)**

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

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2021, the Group had unrecognised tax losses of HK$369,126,000 (2020: HK$399,788,000) for which no deferred tax asset has been recognised due to unpredictability of future profit streams. Such tax losses may be carried forward against future taxable income indefinitely.

32. SHARE CAPITAL

	2021		2020	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**756,203**	**75,620**	756,203	75,620

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank borrowings and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

The only externally imposed capital requirement for the Group is in order to maintain the Listing, it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2021, over 25% (2020: over 25%) of the shares were in public hands.

33. SHARE-BASED PAYMENTS

Share option scheme

On 4 May 2012, the Company adopted a share option scheme (the "Option Scheme"). The Option Scheme will remain in force for a period of 10 years commencing on the date upon which such option is deemed to be granted and accepted. The purpose of the Option Scheme is to enable the Company to grant options to selected eligible participants as incentives and rewards for their contribution to the Company or its subsidiaries. Details are stated in "SHARE OPTION SCHEME" section of the annual report.

All the outstanding share options with an amount of HK$21,433,000 granted under the Option Scheme were expired during the year ended 31 December 2020.

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

(a) Statement of financial position of the Company

		At 31 December	
	Note	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Interests in subsidiaries		**423,658**	447,166
Amount due from a subsidiary		**409,554**	393,046
		833,212	840,212
Current assets			
Deposits and prepayments		**215**	153
Amounts due from subsidiaries		**140,613**	139,878
Cash and cash equivalents		**3,828**	1,146
		144,656	141,177
Current liabilities			
Other payables and accruals		**1,565**	1,824
Amounts due to subsidiaries		**346,271**	293,677
		347,836	295,501
Net current liabilities		**(203,180)**	(154,324)
NET ASSETS		**630,032**	685,888
Capital and reserves			
Share capital	*32*	**75,620**	75,620
Reserves	*35*	**554,412**	610,268
TOTAL EQUITY		**630,032**	685,888

Approved by the Board of Directors on 28 March 2022 and are signed on its behalf by:

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

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

(b) Reserve movement of the Company

	Share premium HK$'000 *(note 35(b)(i))*	Shareholders' contribution HK$'000 *(note 35(b)(ii))*	Contributed surplus HK$'000	Share option reserve HK$'000 *(note 35(b)(iii))*	Retained profits HK$'000	Total HK$'000
At 1 January 2020	189,090	19,689	3,661	21,433	407,916	641,789
Total comprehensive income for the year	–	–	–	–	2,508	2,508
Dividend paid *(note 17)*	–	–	–	–	(34,029)	(34,029)
Lapse of share options	–	–	–	(21,433)	21,433	–
At 31 December 2020 and 1 January 2021	**189,090**	**19,689**	**3,661**	**–**	**397,828**	**610,268**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(10,484)**	**(10,484)**
Dividend paid *(note 17)*	**–**	**–**	**–**	**–**	**(45,372)**	**(45,372)**
At 31 December 2021	**189,090**	**19,689**	**3,661**	**–**	**341,972**	**554,412**

35. RESERVES

(a) The Group

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

(b) Nature and purpose of reserves

(i) Share premium account

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

(ii) Shareholders' contribution

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

(iii) Share option reserve

The fair value of the actual or estimated number of unexercised share options granted to the directors of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(y) to the consolidated financial statements.

(iv) Translation reserve

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

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

	Lease liabilities	Bank borrowings	Dividend payable (included in other payable)	Amount due to a director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	80,066	23,030	464	–	103,560
Addition	22,330	–	–	–	22,330
Cash flows	(23,301)	(10,674)	(34,029)	–	(68,004)
Interest expenses	4,869	489	–	–	5,358
Dividend declared	–	–	34,029	–	34,029
Others	(1,142)	(218)	–	–	(1,360)
At 31 December 2020 and 1 January 2021	**82,822**	**12,627**	**464**	**–**	**95,913**
Addition	**14,242**	**–**	**–**	**–**	**14,242**
Cash flows	**(23,970)**	**(4,898)**	**(45,372)**	**8,302**	**(65,938)**
Interest expenses	**4,471**	**182**	**–**	**–**	**4,653**
Dividend declared	**–**	**–**	**45,372**	**–**	**45,372**
At 31 December 2021	**77,565**	**7,911**	**464**	**8,302**	**94,242**

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

Total cash outflow for leases

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

	2021 HK$'000	2020 HK$'000
Within operating cash flows	**4,911**	6,218
Within financing cash flows	**23,970**	23,301

These amounts relate to the following:

	2021 HK$'000	2020 HK$'000
Lease rental paid	**28,881**	29,519

37. CAPITAL COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**5,705**	8,214

38. CONTINGENT LIABILITIES

The Group has held a number of licenses from Hasbro, Inc. and Hasbro International (together referred to as "Hasbro Group") to produce and distribute various products. During the year of 2018, Hasbro Group alleged that an audit of the Group's records established that the Group owed Hasbro Group an amount of US$10,061,000, inclusive of purported unpaid royalties, marketing expenses, interest and audit fees.

38. CONTINGENT LIABILITIES (Continued)

Upon receipt of the audit findings of Hasbro Group and completion of own investigation, the Group determined that Hasbro Group, at best, was owed approximately US$860,000, which was promptly paid. Hasbro Group disputed the Group's conclusion and issued a notice of termination of the remaining license agreement. The Group filed an action in United States of America disputing Hasbro Group's interpretation of the license agreement denying Hasbro Group's alleged right to terminate the license agreement, and alleged that Hasbro Group breached the license agreement by wrongfully attempting to terminate the license. Hasbro Group has filed a counterclaim, contending that the Group owes the amount alleged in the audit and the Group has violated Hasbro Group's intellectual property rights.

During the year ended 31 December 2021, the Group and Hasbro Group reached a memorandum of understanding, which stipulated that the Group pay US$3,000,000 for full release of all claims, with the exception of the remaining open claims of approximately US$5,240,000 (approximately US$6,100,000 less US$860,000 already paid by the Group). The open claims will be submitted to a neutral auditor, whose decision shall be final and binding. It is in the opinion of the directors of the Company, after seeking legal advices, as the audit process is on-going, it is too early to provide an evaluation of the likelihood of an unfavourable outcome for any estimate of a range of potential loss from the open claims. As such no further provision for the remaining claim is considered required to be made in the consolidated financial statements for the year ended 31 December 2021 in respect of these matters.

39. OPERATING LEASE ARRANGEMENT

The Group as lessee

The Group regularly entered into short-term lease for offices and warehouse. As at 31 December 2021, the portfolio of short-term lease is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 20.

The Group as lessor

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

	2021 **HK$'000**	2020 HK$'000
Within one year	**3,145**	2,340
In the second year	**1,835**	1,560
In the third year	**–**	–
In the fourth year	**–**	–
After five year	**–**	–
Total	**4,980**	3,900

40. RELATED PARTIES TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had entered into the following transactions and balances with its related parties during the year.

Compensation of key management personnel

The remuneration of directors which also are key management during the year was as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**12,038**	8,794
Post-employment benefits	**145**	153
	12,183	8,947

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

Financial Summary

	For the year ended 31 December				
	2017 HK$'000	2018* HK$'000	2019* HK$'000	2020 HK$'000	**2021** **HK$'000**
RESULTS					
Revenue	1,434,008	1,353,665	1,316,101	901,141	**1,082,637**
Profit before income tax	106,882	126,235	147,323	8,932	**70,916**
Income tax (expenses) credit	1,648	1,874	(7,828)	(941)	**(16,279)**
Profit for the year	108,530	128,109	139,495	7,991	**54,637**
Attributable to:					
The owners of the Company	112,670	134,960	143,001	10,588	**55,092**
Non-controlling interests	(4,140)	(6,851)	(3,506)	(2,597)	**(455)**
	108,530	128,109	139,495	7,991	**54,637**
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share					
Basic	0.15	0.18	0.19	0.01	**0.07**
Diluted	0.15	0.18	0.19	0.01	**0.07**

	As at 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Total assets	1,307,086	1,562,530	1,432,923	1,374,342	**1,416,142**
Total liabilities	(279,528)	(477,990)	(291,103)	(258,702)	**(288,974)**
	1,027,558	1,084,540	1,141,820	1,115,640	**1,127,168**
Equity attributable to the owners of the Company	1,020,347	1,084,180	1,144,966	1,121,383	**1,133,366**
Non-controlling interests	7,211	360	(3,146)	(5,743)	**(6,198)**
	1,027,558	1,084,540	1,141,820	1,115,640	**1,127,168**

* The amounts for the years ended 31 December 2018 were presented upon the application of HKFRS 9 and HKFRS 15, and the amounts for the year ended 31 December 2019 were presented upon the application of HKFRS 9, HKFRS 15 and HKFRS 16, which the comparative financial information was not restated.

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