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**MATRIX**  
**MATRIX HOLDINGS LIMITED**  
**美力時集團有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 1005)**

**2023 FINAL RESULTS ANNOUNCEMENT**  
**AND**  
**RESUMPTION OF TRADING**

The Board of Directors (the “**Directors**”) of Matrix Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2023*

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	<b>714,486</b>	986,094
Cost of sales		<b>(405,806)</b>	(579,459)
Gross profit		<b>308,680</b>	406,635
Other income	6	<b>26,652</b>	16,424
Other gains and losses	7	<b>8,447</b>	(12,918)
Impairment losses on property, plant and equipment		<b>(13,000)</b>	–
Impairment losses on intangible assets		<b>(55,000)</b>	(6,779)
Distribution and selling costs		<b>(194,134)</b>	(195,268)
Administrative expenses		<b>(149,866)</b>	(153,984)
Research and development costs		<b>(20,237)</b>	(20,624)
Other expenses		<b>(6,369)</b>	(10,446)
(Loss)/profit from operations		<b>(94,827)</b>	23,040
Finance costs	8	<b>(3,801)</b>	(4,321)
(Loss)/profit before tax	10	<b>(98,628)</b>	18,719
Income tax expense	9	<b>(4,312)</b>	(16,888)
(Loss)/profit for the year		<b>(102,940)</b>	1,831

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other comprehensive income for the year, net of tax		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(5,975)</u>	<u>(17,614)</u>
Total comprehensive income for the year	<u><b>(108,915)</b></u>	<u>(15,783)</u>
(Loss)/profit for the year attributable to:		
Owners of the Company	<u>(102,604)</u>	6,228
Non-controlling interests	<u>(336)</u>	<u>(4,397)</u>
	<u><b>(102,940)</b></u>	<u>1,831</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	<u>(108,060)</u>	(10,332)
Non-controlling interests	<u>(855)</u>	<u>(5,451)</u>
	<u><b>(108,915)</b></u>	<u>(15,783)</u>
(Loss)/earnings per share attributable to owners of the Company:		
Basic (loss)/earnings per share (in HK cents per share)	<u>(13.6)</u>	<u>0.8</u>
Diluted (loss)/earnings per share (in HK cents per share)	<u>(13.6)</u>	<u>0.8</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2023**

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>119,518</b>	155,881
Right-of-use assets		<b>214,462</b>	235,626
Intangible assets		<b>41,822</b>	96,822
Deposits	<i>13</i>	<b>121,086</b>	112,161
Deferred tax assets		<b>23,405</b>	27,202
		<u><b>520,293</b></u>	<u>627,692</u>
<b>Current assets</b>			
Inventories		<b>189,275</b>	253,939
Trade receivables	<i>13</i>	<b>113,521</b>	84,262
Prepayment, deposits and other receivables	<i>13</i>	<b>25,470</b>	35,869
Current tax assets		<b>1,595</b>	2,500
Bank and cash balances		<b>181,202</b>	258,959
		<u><b>511,063</b></u>	<u>635,529</u>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>30,305</b>	29,085
Accruals and other payables	<i>14</i>	<b>71,105</b>	95,776
Contract liabilities		<b>3,477</b>	2,549
Bank borrowing		<b>4,234</b>	5,945
Lease liabilities		<b>14,749</b>	17,494
Current tax liabilities		<b>23,894</b>	29,745
		<u><b>147,764</b></u>	<u>180,594</u>
<b>Net current assets</b>		<u><b>363,299</b></u>	<u>454,935</u>
<b>Total assets less current liabilities</b>		<u><b>883,592</b></u>	<u>1,082,627</u>

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Lease liabilities	<b>30,620</b>	44,139
Deferred tax liabilities	<b>1,742</b>	2,723
	<u><b>32,362</b></u>	<u>46,862</u>
<b>NET ASSETS</b>	<u><b>851,230</b></u>	<u>1,035,765</u>
<b>Capital and reserves</b>		
Share capital	<b>75,620</b>	75,620
Reserves	<b>788,114</b>	971,794
	<u><b>863,734</b></u>	<u>1,047,414</u>
<b>Equity attributable to owners of the Company</b>	<b>863,734</b>	1,047,414
Non-controlling interests	<b>(12,504)</b>	(11,649)
	<u><b>851,230</b></u>	<u>1,035,765</u>
<b>TOTAL EQUITY</b>	<u><b>851,230</b></u>	<u>1,035,765</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

### 1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of toys and lighting products.

In the opinion of the directors of the Company, as at 31 December 2023, 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 Companies Ordinance (Cap. 622).

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 new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

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

The Group has not early applied any amendments to standards and interpretation have been issued but are not yet effective for the financial year beginning 1 January 2023. The amendments to standards and interpretation include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“HK Int 5 (Revised)”)	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

#### 4. REVENUE

Revenue from contracts with customers within the scope of HKFRS 15

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
By major product lines:		
– Manufacturing and trading of toys	<b>692,149</b>	965,250
– Manufacturing and trading of lighting products	<b>22,337</b>	20,844
	<b>714,486</b>	986,094
Timing of recognition:		
– At a point in time	<b>714,486</b>	986,094

#### 5. 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.

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 included in the annual report of 2023.

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 do not include 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 do not include, bank borrowings, deferred tax liabilities, lease liabilities and accrued central administration costs.

**(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 2023**

	Reportable segments						Total reportable segments	Other locations	Unallocated	Consolidated
	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	483,592	88,384	11,349	66,298	13,414	38,932	701,969	12,517	-	714,486
Results segment profit/(loss)	64,221	(10,226)	(195)	5,656	3,100	(4,851)	57,705	2,923	-	60,628
Unallocated other income										22,659
Unallocated corporate expenses										(178,114)
Finance costs										(3,801)
Loss before income tax										(98,628)
Other segment information										
Depreciation and amortisation	41,776	2,940	371	2,236	436	2,710	50,469	407	7,682	58,558
Impairment losses on intangible assets	-	-	-	-	-	-	-	-	55,000	55,000
Impairment losses on property, plant and equipment	-	-	-	-	-	-	-	-	13,000	13,000
Reversal of impairment losses on deposit	-	-	-	-	-	-	-	-	(11,000)	(11,000)
Impairment losses on trade receivables, net	1,271	278	36	209	42	123	1,959	39	-	1,998
Impairment losses on inventories	13,985	6,525	217	1,263	256	742	22,988	242	-	23,230



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 2022

	Reportable segments						Total reportable segments	Other locations	Unallocated	Consolidated
	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	736,916	81,797	13,753	84,071	12,602	39,853	968,992	17,102	-	986,094
Results segment profit/(loss)	174,636	(11,289)	1,102	12,215	3,184	(2,133)	177,715	4,309	-	182,024
Unallocated other income										12,902
Unallocated corporate expenses										(171,886)
Finance costs										(4,321)
Profit before income tax										<u>18,719</u>
Other segment information										
Depreciation and amortisation	43,770	2,286	368	2,183	337	1,610	50,554	457	16,681	67,692
Impairment losses of intangible assets	-	-	-	-	-	-	-	-	6,779	6,779
Impairment loss of deposit	-	-	-	-	-	-	-	-	11,000	11,000
Impairment losses on trade receivables, net	22	3	-	3	-	1	29	1	-	30
Impairment losses on inventories	<u>2,282</u>	<u>4,253</u>	<u>43</u>	<u>260</u>	<u>39</u>	<u>123</u>	<u>7,000</u>	<u>53</u>	<u>-</u>	<u>7,053</u>

(b) **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 2023**

	Reportable segment						Total reportable segments HK\$'000	Other locations HK\$'000	Consolidated HK\$'000
	The United States HK\$'000	Europe HK\$'000	Mexico HK\$'000	Canada HK\$'000	South America HK\$'000	Australia and New Zealand HK\$'000			
<b>ASSETS</b>									
Segment assets	245,563	25,430	3,704	17,544	3,691	14,536	310,468	11,821	322,289
<b>Reconciliation:</b>									
Unallocated assets									
– Property, plant and equipment									119,518
– Intangible assets									41,822
– Deferred tax assets									23,405
– Right-of-use assets									214,462
– Other current assets									309,860
Total assets									<u>1,031,356</u>
<b>LIABILITIES</b>									
Segment liabilities	67,992	9,404	577	3,662	682	4,739	87,056	1,696	88,752
<b>Reconciliation:</b>									
Unallocated liabilities									
– Deferred tax liabilities									1,742
– Bank borrowing									4,234
– Lease liabilities									45,369
– Other current liabilities									40,029
Total liabilities									<u>180,126</u>

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 2022

	Reportable segment						Total reportable segments HK\$'000	Other locations HK\$'000	Consolidated HK\$'000
	The United States HK\$'000	Europe HK\$'000	Mexico HK\$'000	Canada HK\$'000	South America HK\$'000	Australia and New Zealand HK\$'000			
<b>ASSETS</b>									
Segment assets	250,341	33,832	5,034	30,598	4,135	19,286	343,226	21,889	365,115
<b>Reconciliation:</b>									
Unallocated assets									
– Property, plant and equipment									155,881
– Intangible assets									96,822
– Deferred tax assets									27,202
– Right-of-use assets									235,626
– Other current assets									382,575
Total assets									<u>1,263,221</u>
<b>LIABILITIES</b>									
Segment liabilities	68,191	7,449	1,753	7,376	1,610	6,085	92,464	3,400	95,864
<b>Reconciliation:</b>									
Unallocated liabilities									
– Deferred tax liabilities									2,723
– Bank borrowing									5,945
– Lease liabilities									61,633
– Other current liabilities									61,291
Total liabilities									<u>227,456</u>

(c) **Geographical information:**

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	1,338	2,567
Vietnam	263,980	307,784
The United States	58,149	123,871
The PRC	34,526	35,954
Europe	1,354	3,196
Other countries	16,455	14,957
	<u>375,802</u>	<u>488,329</u>

*Note:* The above non-current assets excluded long-term deposits and deferred tax assets.

(d) **Revenue from major customers:**

There are 2 customers (2022: 2 customers) in the United States of America with revenue amounted to approximately HK\$253,538,000 (2022: HK\$408,965,000) and HK\$80,805,000 (2022: HK\$167,247,000), contributing to approximately 35% and 11% (2022: approximately 41% and 17%) respectively, of the Group's total revenue for the year ended 31 December 2023. There is no other single customer contributing over 10% of the total revenue of the Group.

6. **OTHER INCOME**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants ( <i>note (i)</i> )	–	552
Interest income on bank deposits	3,348	3,953
Rental income	3,396	3,184
Sales of scrap materials and samples	–	907
Royalty income	25	63
Others ( <i>note (ii)</i> )	19,883	7,765
	<u>26,652</u>	<u>16,424</u>

*Note (i):* The Group recognised government grants of Nil (2022: HK\$552,000) in respect of COVID-19 related subsidies under the Employment Support Scheme provided by the Hong Kong government for the year ended 31 December 2023.

*Note (ii):* Included in others is prize money earned from horses racing management services amounting to HK\$15,245,000 (equivalent to approximately AUD2,867,000) (2022: Nil).

**7. OTHER GAINS AND LOSSES**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	435	410
Net foreign exchange losses	(990)	(2,298)
(Reversal of impairment losses)/impairment losses on deposit	11,000	(11,000)
Impairment losses on trade receivables, net	(1,998)	(30)
	<u>8,447</u>	<u>(12,918)</u>

**8. FINANCE COSTS**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expense on bank borrowing	384	133
Interest expense on lease liabilities	3,417	4,188
	<u>3,801</u>	<u>4,321</u>

**9. INCOME TAX EXPENSE**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current tax</b>		
– Hong Kong		
Provision for the year	–	–
– Other jurisdictions		
Provision for the year	168	16,112
Under/(over)-provision in prior years	1,824	203
	<u>1,992</u>	<u>16,315</u>
<b>Deferred tax</b>	<u>2,320</u>	<u>573</u>
	<u>4,312</u>	<u>16,888</u>

## 10. (LOSS)/PROFIT FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration		
– Audit services	3,851	3,384
– Non-audit services	1,074	1,212
Cost of inventories sold	367,504	560,728
Depreciation of property, plant and equipment	37,109	45,469
Depreciation of right-of-use assets	21,251	22,223
Impairment losses on trade receivables, net	1,998	30
Impairment losses on inventories (included in cost of sales)	23,230	7,053
Legal and professional fees (included in other expenses)	6,369	10,446
Royalty expenses (included in distribution and selling expenses)	60,718	61,521
Research and development costs recognised as expenses	20,237	20,624
	<u>                    </u>	<u>                    </u>

## 11. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends paid:		
– 2022 final (HK8 cents per share)	60,496	–
– 2023 interim (HK2 cents per share)	15,124	–
– 2021 final (HK6 cents per share)	–	45,372
– 2022 interim (HK4 cents per share)	–	30,248
	<u>                    </u>	<u>                    </u>
	<u>75,620</u>	<u>75,620</u>

Subsequent to the end of the reporting period, the Board declared and paid a second interim dividend of HK3 cents per share in respect of the year ended 31 December 2023. The declared and paid interim dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings in the year ending 31 December 2024.

## 12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings attributable to owners of the Company and (loss)/profit for the purpose of calculating (loss)/earnings per share	<u>(102,604)</u>	<u>6,228</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>756,203,000</u>	<u>756,203,000</u>

For the years ended 31 December 2023 and 2022, no diluted (loss)/earnings per share was presented as the Company did not have any diluted potential ordinary shares.

### 13. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	119,077	87,910
Less: allowance for doubtful debts	<u>(5,556)</u>	<u>(3,648)</u>
	<u>113,521</u>	<u>84,262</u>
Prepayments	5,824	11,012
Deposits		
– for proposed acquisition of a target company ( <i>note</i> )	114,847	106,891
– for raw materials and plant and machineries	7,792	11,708
– for rental and utilities	6,382	5,426
Other receivables	<u>11,711</u>	<u>12,993</u>
	146,556	148,030
Less: non-current portion	<u>(121,086)</u>	<u>(112,161)</u>
	<u>25,470</u>	<u>35,869</u>

*Note:* On 27 July, 2021, a wholly-owned subsidiary of the Company, Keyhinge Toys Vietnam Joint Stock Company (“KVN”) entered into a master capital transfer agreement (“Master Agreement”) with an individual being the transferor, in respect of the proposed acquisition of a target company. Pursuant to the Master Agreement, the transferor conditionally agreed to sell entire equity interests in the target company to KVN, subject to conditions precedent, for a total cash consideration of VND356,950,000,000 (equivalent to approximately HK\$114,847,000). Before completion, it is necessary for the target company obtain the relevant land use rights of certain land plots in Danang City, Vietnam.

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 as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 60 days	82,216	54,529
61 to 90 days	5,403	18,893
More than 90 days	<u>25,902</u>	<u>10,840</u>
	<u>113,521</u>	<u>84,262</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	3,648	4,597
Net impairment losses recognised for the year	1,998	30
Write-off	(90)	(979)
	<u>5,556</u>	<u>3,648</u>
At 31 December	<u>5,556</u>	<u>3,648</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
US\$	94,350	62,109
CAD	3,297	5,029
GBP	7,866	6,026
AUD	3,846	5,261
Others	4,162	5,837
	<u>113,521</u>	<u>84,262</u>

#### 14. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	30,305	29,085
Accrued employee benefit expenses	24,940	33,413
Other payables and accruals	46,165	62,363
	<u>101,410</u>	<u>124,861</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 60 days	25,252	24,219
61 to 90 days	2,006	1,663
More than 90 days	3,047	3,203
	<u>30,305</u>	<u>29,085</u>



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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
HK\$	3,686	2,590
US\$	17,135	11,355
RMB	2,852	1,980
VND	4,770	8,105
AUD	–	2,654
Others	1,862	2,401
	<u>30,305</u>	<u>29,085</u>

## 15. CAPITAL COMMITMENTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>780</u>	<u>5,010</u>

## 16. CONTINGENT LIABILITIES

The Group was involved in a licensing dispute with a business partner (the “**Licensor**”). Both parties conducted a mediation to resolve a portion of the case and the Group has previously paid US\$3,000,000 to the Licensor (which was recorded as royalty expenses under distribution and selling expenses). Both parties further submitted an open claim to a neutral auditor for resolution (“**Open Claim**”). The neutral auditor’s decision shall be final and binding. The Open Claim has a maximum amount of US\$6,000,000.

During the year ended 31 December 2022, the audit process resulted in finding against the Group in the amount of approximately US\$3,400,000 (the “**Neutral Auditor’s Findings**”). The directors of the Company followed the instruction of the neutral auditor and has recognised provision at the same amount as royalty expenses for the year ended 31 December 2022.

During the year ended 31 December 2023, the Group reached a final agreement with the Licensor. According to the final agreement, as opposed to the Neutral Auditor’s Findings, both parties agreed to an amount of US\$2,750,000 for settlement of all matters related to the licensing dispute. The Group settled US\$2,750,000 to the Licensor on 27 December 2023. Differences between the final settlement and the provision was credited to the profit or loss during the year ended 31 December 2023.

## **RESULTS**

During the year of 2023 (the “**year**”), the Group’s consolidated revenue reported approximately HK\$714,486,000, decreased by approximately HK\$271,608,000 or 27.5% as compared to approximately HK\$986,094,000 of 2022 (“**last year**”). The loss attributable to the owners of the Company amounted to approximately HK\$102,604,000, representing a decrease of 1,747.5% as compared with the profit of approximately HK\$6,228,000 last year.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the year recorded approximately HK\$714,486,000, decreased by approximately 27.5% from last year as high inflation and fears of lagging economic growth have deterred consumer spending.

### **Gross profit**

The Group’s gross profit for the year decreased by approximately 24.1% to approximately HK\$308,680,000 due to decrease of sales.

### **Distribution and selling costs**

Distribution and selling costs decreased by approximately 0.6% to approximately HK\$194,134,000 for the year. The decrease was mainly attributable to the decrease in staff salaries and carriage expenses.

### **Administrative expenses**

Administrative expenses of the year decreased by approximately 2.7% to approximately HK\$149,866,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The decrease was due to decrease in depreciation of property, plant and equipment as well as decrease in office staff salaries.

### **Finance costs and income tax**

Finance costs of the year decreased by approximately 12.0% to approximately HK\$3,801,000 as compared to last year due to decrease in the interest of lease liabilities. Income tax expense of this year recorded approximately HK\$4,312,000 as compared to income tax expense of approximately HK\$16,888,000 of last year due to decrease in current tax expense.

### **Research and development cost**

Research and development (R&D) cost decreased by approximately 1.9% to approximately HK\$20,237,000 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 increased by approximately 34.7% to approximately HK\$113,521,000 as compared to last year, mainly due to change in product mix with some products have longer credit period. Prepayment, deposit and other receivables decreased by approximately 1.0% to approximately HK\$146,556,000, due to decrease in prepayment and deposit for raw materials, plant and machineries.

### **Trade payables, accruals and other payables**

Trade payables of the year increased by approximately 4.2% to approximately HK\$30,305,000 as compared to last year, mainly due to more purchase incurred near year end. Accruals and other payables decreased by approximately 25.8% to approximately HK\$71,105,000, due to decrease in accrued employee benefit expenses and other payables and accruals.

### **Quick Ratio**

The quick ratio of the year was slightly higher than last year which resulted mainly from the decrease in inventories level.

### **Current Ratio**

The current ratio of the year was similar to last year.

### **Financial position and cash flows review**

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

### **Liquidity and Financial Resources**

As at 31 December 2023, the Group had bank and cash balances of approximately HK\$181,202,000 (2022: HK\$258,959,000). As at 31 December 2023, the Group obtained banking facilities in a total of approximately HK\$70,000,000 (2022: HK\$70,000,000) which was supported by corporate guarantee.

As at 31 December 2023, the Group had bank borrowings of approximately HK\$4,234,000 (2022: HK\$5,945,000).

The Group's gearing ratio, representing the total debt divided by total equity, decreased to 0.5% (2022: 0.6%) due to the decrease in bank borrowing during the year.

During the year, net cash generated from operating activities amounted to approximately HK\$32,222,000 (2022: HK\$229,171,000). 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\$18,046,000 (2022: HK\$32,270,000) 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 2023, the Group had total assets of approximately HK\$1,031,356,000 (2022: HK\$1,263,221,000), total liabilities of approximately HK\$180,126,000 (2022: HK\$227,456,000) and equity attributable to owners of the Company of approximately HK\$863,734,000 (2022: HK\$1,047,414,000). The net assets of the Group decreased by approximately 17.8% to approximately HK\$851,230,000 as at 31 December 2023 (2022: HK\$1,035,765,000).

### **SIGNIFICANT INVESTMENT AND ACQUISITION**

There was no significant investment and acquisition for the year ended 31 December 2023.

### **SIGNIFICANT DISPOSAL/IMPORTANT EVENT**

There was no significant disposal/important corporate event for the year ended 31 December 2023.

### **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 economies of North America and Europe have faced difficulties in gaining momentum after the pandemic, primarily due to high inflation and significant interest rate increases aimed at addressing it. Furthermore, the prolonged war in Ukraine has heightened geopolitical uncertainty, leading to inflationary pressures. The unprecedented levels of inflation in both developed and developing nations have prompted a series of aggressive interest rate hikes, resulting in a decline in consumer confidence. Moreover, the decrease in sales can be attributed to high levels of inventory among customers, influenced by the challenges arising from the weakened global economy. Consequently, customers have adopted a more cautious approach to inventory management and order placement in 2023. In an effort to diversify its product offerings, the Group introduced products under a new licensed brand “TEENAGE MUTANT NINJA TURTLES”, while continuing to implement cost controls and automation. Despite the challenging operating environment, the Group has prudently managed its financial and cash position to overcome the challenging operating environment.

### **Manufacturing operations**

The Group’s primary manufacturing base is located in Vietnam. By capitalizing on its prominent position in the industry and expansion strategy in Vietnam, the Group has restructured its plant processes and enhanced supply chain efficiency, leading to reduced production costs. In order to strengthen its competitiveness, the Group has increased its production capacity and quality through localized production and management operations, as well as advancements in automated production processes.

### **Segment performance**

Rising utility bills and food costs have diminished consumer purchasing power, resulting in a slowdown in job creation and consumer spending on goods and services, as well as a decline in consumer and business confidence. With a focus on customers in the North America and Europe, the Group has worked to retain loyalty by improving products and inventory management to mitigate the negative impacts of the economic downturn. The Group remains committed to its established brand strategies and has actively launched new marketing campaigns for toy products under brands like “CAT”, “Fart Ninjas”, “TEENAGE MUTANT NINJA TURTLES” and “Bright Fairy Friends”.

### **The US**

The US was still a major export market for the Group’s products. Our revenue decreased by approximately HK\$253,324,000 or 34.4% to approximately HK\$483,592,000 for the year from approximately HK\$736,916,000 for the last year.

The US economy has struggled to regain momentum following the pandemic, hamstrung by high inflation and rapid interest rate hikes to combat it. The Federal Reserve fought against inflation aggressively. High inflation eroded the purchasing power of consumers and hence affected sales in 2023.

The sales from Original Equipment Manufacturing and mass-market retailers for Original Design Manufacturing (“ODM”) toy car products under new brands decreased. Besides, the sales of lighting products and Original Brand Manufacturing (“OBM”) outdoor products of “Gazillion® Bubbles” also decrease. As a result, the revenue generated from the US market recorded a decrease.

The Group will endeavor to maintain its authorised licensing business with major brands and expand its range of products, while also maintaining relationships with current distributors and clients, including Wal-Mart, Target and Amazon.

## **Canada**

Our revenue in the Canadian market decreased by approximately HK\$17,773,000 or 21.1% to approximately HK\$66,298,000 for the year from approximately HK\$84,071,000 last year.

The Canadian economy was constrained in 2023. High interest rates have put a damper on Canadians’ finances and caused a pullback in consumer spending and a slowdown in sales for business. The sales from toy car products such as “CAT” and “Rocket League”, OBM outdoor game products of “Gazillion® Bubbles” and girls’ toy series products decreased. On the other hand, the sales of toy car product “Mighty Fleet” increased. As a whole, the revenue generated from the Canadian market recorded a decrease.

The Group will focus on maintaining its existing distributors and clients, such as Wal-Mart, Costco Canada and Canadian Tire Corporation.

## **Europe**

Our revenue in Europe increased by approximately HK\$6,587,000 or 8.1% to approximately HK\$88,384,000 for the year from approximately HK\$81,797,000 last year.

Consumer spending held up well in 2023 despite elevated inflation and high interest rate. Additionally, increased government spending as well as higher exports and more private and residential investments also improved consumer sentiment.

Sales of toy car products, girl products “Bright Fairy Friends” and OBM outdoor products of Gazillion® Bubbles decreased. However, the sales of “TEENAGE MUTANT NINJA TURTLES” and “FART NINJAS” recorded increase. The Group recorded a decrease in orders from customers in France, Hungary, Ireland, Netherlands, Slovenia, Sweden and Switzerland. However, the orders from customers in Denmark, Italy, Croatia, Belgium, Germany, Czech Republic, Portugal, Greece, UK, Spain, Finland, Malta, Poland, Romania, Serbia and Lithuania increased. Overall, our revenue in the European market recorded a decrease. The Group will continue its efforts to maintain existing distributors and clients such as Costco.

## **Mexico**

Our revenue in Mexico decreased by approximately HK\$2,404,000 or 17.5% to approximately HK\$11,349,000 for the year from approximately HK\$13,753,000 last year.

Mexico's economic momentum continued and recorded 3.2% increase in GDP. Due to decrease in sales "FART NINJAS" products, our total revenue in the Mexican market recorded a decrease.

## **Australia and New Zealand**

Our revenue in the Australia and New Zealand markets decreased by approximately HK\$921,000 or 2.3% to approximately HK\$38,932,000 for the year from approximately HK\$39,853,000 last year.

In 2023, the economy recovery of Australia was dampened by high inflation and elevated interest rate. Cost of living pressures have plagued the retail industry. The monetary policy tightening cycle has also been playing a role in disinflation by taking some heat off the demand side.

The Group recorded a decrease in sales of girls' toy series product "Bright Fairy Friends", toy car products such as "CAT", "Mighty Fleet" and "Rocket League" as well as OBM outdoor products of Gazillion® Bubbles. However, the sales of "TEENAGE MUTANT NINJA TURTLES" recorded increase. Our overall market revenue in Australia and New Zealand recorded a decrease. 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\$812,000 or 6.4% to approximately HK\$13,414,000 for the year from HK\$12,602,000 last year.

South America's economies continued to maintain steady growth in 2023. The region's economic growth is close to 2% in 2023. Overall, the Group recorded an increase in sales in Brazil, Colombia, Panama, Argentina, Ecuador, Uruguay and Bolivia; however, sales orders in Costa Rica, Chile, Honduras, Peru and Dominican Republic decreased. As a whole, our revenue in South American markets recorded an increase.

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had a total of approximately 2,310 (2022: 3,000) employees in Hong Kong, Macau, 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 providing a friendly and caring working environment for its employees, providing excellent service to its customers and maintaining trust relationship with its business partners.

## **PROSPECT**

The global economy outlook for 2024 appears to be cautiously optimistic, with signs of recovery from the challenges posed by the pandemic, high inflation and high interest rate environment. Economists project a gradual return to pre-pandemic growth rates, driven by increased consumer confidence and continued fiscal stimulus in many major economies. Furthermore, advancements in technology and digitalization are expected to play a pivotal role in shaping economic activities, fostering innovation, and accelerating productivity gains. However, the outlook is not without its uncertainties, as geopolitical tensions and inflationary pressures present ongoing risks to the economic recovery. Sustainable and inclusive growth strategies, along with proactive climate change mitigation measures, are also anticipated to feature prominently in shaping the global economic landscape. Overall, 2024 is poised to be a year of resilience and adaptation, where policymakers, businesses, and individuals strive to navigate the challenges and opportunities that lie ahead in the evolving global economy.



Despite the global economic and geopolitical uncertainties, the Group will take an agile approach to enrich its product mix and enhance customer portfolio diversification. Besides, the Group will continue to prudently manage its financial and cash position, hence enhancing its resilience to adverse business operation environment. From the perspective of manufacturing, we will continue to enhance automation to improve efficiency and bring long-term and highest returns to shareholders.

For instance, the continued growth of the Southeast Asia market strengthens our confidence in the potential investment in the relevant areas. The Groups intends to seize this opportunity by making property investment in Vietnam.

From the perspective of manufacturing, we will continue to enhance automation to improve efficiency and strive for the long-term and highest returns to shareholders.

## **FINAL DIVIDEND**

During the year, the Company paid an interim dividend of HK2.0 cents (2022: HK4.0 cents) in cash per share to the shareholders. Subsequent to the end of the reporting period, the Board resolved on 3 May 2024 to declare and pay a second interim dividend of HK3 cents per share in respect of the year ended 31 December 2023 (2022: Nil). The Directors have resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK8.0 cents in cash per share). Together with the interim dividend paid of HK5.0 cents per share, the total dividend per share for the year is HK5.0 cents (2022: HK12.0 cents).

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CG CODE”)**

The Board has adopted the corporate governance code (the “**CG Code**”) and amended it from time to time, which is based on the principles set out in Appendix 14 (the “**HKEx Code**”) to the Listing Rules on the Stock Exchange.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year, in compliance with the HKEx Code and CG Code.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

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

## **ANNUAL GENERAL MEETING**

The AGM of the Company will be held on 8 August 2024 at 2:30 p.m. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 1 August 2024 to 8 August 2024, both days inclusive for the entitlement to attend the AGM, during such periods no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 31 July 2024.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract from audited financial report of the Company prepared by RSM Hong Kong, the auditor of the Company, for the year ended 31 December 2023.

## **QUALIFIED OPINION**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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 Qualified Opinion

The Group entered into arrangements with two companies to provide management services in respect of race horses during the year ended 31 December 2023. During the course of our audit, management provided us with the following supporting documents in relation to these services:

- (1) a cooperation agreement dated 1 January 2023 (the “**Agreement**”) entered into between the Company’s wholly-owned Australian incorporated subsidiary (“**Subsidiary Y**”) and a Belize incorporated company (“**Company A**”); and
- (2) a letter of undertaking dated 1 January 2023 (the “**Undertaking**”) signed by an Australian incorporated company (“**Company B**”).

Pursuant to the Agreement, Subsidiary Y shall provide management, day-to-day care and training of race horses to Company A, and in return Subsidiary Y is entitled to prize money won by these horses. The Agreement does not specify details of the horses to be managed or their owners.

Pursuant to the Undertaking, Company A is described as an agent of Company B and Subsidiary Y is Company A’s appointed service vendor to provide horse management services to Company B. Company B acknowledged and agreed that Company A or Subsidiary Y shall receive the prize money for the year ended 31 December 2023 and Company B shall not ask for any refund or partial refund of the prize money received by Company A or Subsidiary Y. However, details of the horses managed and prize money amount earned during the year ended 31 December 2023 were not specified.

Mr. Cheng Yung Pun, the ultimate controlling party of the Company, is also the director of Company B.

During the year ended 31 December 2023, Subsidiary Y recognised other income of approximately AUD2,876,000 (equivalent to approximately HK\$15,245,000) representing gross prize money earned by the horses owned by Company B as detailed in note 9 to the consolidated financial statements. The net prize money of approximately AUD2,387,000 (net of GST and fees deducted by the horse racing authority) was deposited by the horse racing authority into Subsidiary Y’s bank account.

During the course of our audit of the Group’s consolidated financial statements for the year ended 31 December 2023, we have not been provided with explanations and supporting documents by management that would satisfy ourselves:

- (1) that accepting prize money as consideration for horse management, day-to-day care and training services is a general practice in the horse racing industry;
- (2) the business rationale that Subsidiary Y was willing to accept prize money, and to receive no fixed service fees, as consideration for horse management services notwithstanding the fact that the profitability of horse racing is highly uncertain and the Group could be exposed to substantial losses from these arrangements; and

- (3) that the arrangements with Company A and Company B for horse management services had been properly authorised prior to entering into the Agreement and the Undertaking.

Accordingly, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the concerns we expressed as to the commercial substance of the horse racing management service income and there were no alternative procedures we could carry out to satisfy ourselves that it was appropriately recorded in the Group's consolidated financial statements for the year ended 31 December 2023.

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 qualified opinion.

## **EXPLANATION OF THE QUALIFIED OPINION**

In the course of our annual audit, our independent auditors have issued a qualified opinion on our financial statements for the year ended 31 December 2023. We believe it is important to address this matter transparently and provide context for our shareholders and stakeholders. The qualification was detailed in section “Extract of Independent Auditor's Report”. Our explanation pertaining to the qualification is as follows:

### **(1) Business rationale**

The Group has strategically shifted part of our focus to Vietnam's booming property market where the Group's established presence and management expertise offer significant advantages. To maximize the property investment project's value for our upcoming potential projects in Vietnam, the horse-activity related iconic building and infrastructure, landscaped gardens and other amenities will be designed to make compelling marketing proposition and elevate the overall property value. The Company's wholly owned incorporated subsidiary's (“**Subsidiary Y**”) operation is focusing on cultivating a skilled team of horse trainers and other personnel to serve the future horse-activity platform in Vietnam (the “**Vietnam Platform**”).

### **(2) The Cooperation Agreement and the Undertaking**

As an effort to prepare for the Vietnam Platform, the original plan was to import the racehorses to Vietnam through the Group's Vietnamese subsidiary. However, due to COVID-19, the plan was postponed.

The Group's reactivation of the importing racehorses from Australia to Vietnam in 2023 faced uncertainty due to the expired import license from the Vietnam government. At the same time, an Australian incorporated company (“**Company B**”) has acquired additional racehorses. Thus, in 2023, Company B, through an intermediary, entered into a Cooperation Agreement with Subsidiary Y whereby Subsidiary Y would provide horse training services to the racehorses provided by Company B through the intermediary and Subsidiary Y would select racehorses to participate in equine events so as to generate income from the horses (the “**Cooperation Agreement**”).

In effect, Subsidiary Y was given full usage of the racehorses without any acquisition costs. As such, the Board is of the view that the Cooperation Agreement constitutes financial assistance from a connected person to the Group with favorable commercial terms and is a fully exempted connected transaction under Listing Rule 14A.90.

Company B executed the Undertaking to provide assurance to Subsidiary Y that income generated by Company B's horses that are managed by Subsidiary Y would belong to Subsidiary Y. This is to guarantee that Subsidiary Y would receive the financial benefits from the horses it managed.

We take this qualification seriously and are committed to resolving the underlying issues. To address the auditors' concerns, we have initiated engagement with external experts to assist in addressing auditors' concern, implemented enhanced documentation procedures for explaining business rationale and recommended a comprehensive review of our internal control. The Board has resolved to monitor business risks more closely and strengthen internal controls, including incorporating this business in the internal audit cycle in 2024. We are confident that the steps we are taking will resolve the issues leading to the qualified opinion.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the website of the Stock Exchange. The 2023 Annual Report and Notice of AGM of the Company will be despatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024 pending the publication of the Company's audited consolidated results for the year ended 31 December 2023. Following the publication of this results announcement, an application will be made by the Company to the Stock Exchange for resumption of trading in its shares, with effect from 9:00 a.m. on 2 July 2024.

## **BOARD COMPOSITION**

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

By Order of the Board  
**Cheng Yung Pun**  
*Chairman*

Hong Kong, 28 June 2024

\* *For identification purpose only*