MATRIX

MATRIX HOLDINGS LIMITED
美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2011 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Directors") of Matrix Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Turnover	3	**882,331**	880,473
Cost of sales		**(571,920)**	(550,780)
Gross profit		**310,411**	329,693
Other income		**4,810**	840
Distribution and selling costs		**(130,413)**	(116,288)
Administrative expenses		**(137,459)**	(138,268)
Finance costs		**(3,181)**	(3,370)
Reversal of allowance for trade receivables		**–**	2,331
Other gains and losses		**12,760**	(7,928)
Research and development costs		**(8,562)**	(14,314)
Profit before taxation	4	**48,366**	52,696
Income tax (expense) credit	5	**(300)**	8,662
Profit for the year attributable to owners of the Company		**48,066**	61,358

* *For identification purpose only*

	NOTE	2011 HK$'000	2010 HK$'000
Other comprehensive (expense) income			
Exchange difference arising on translation of foreign operations		**(13,801)**	(9,475)
Reclassification of exchange difference on deregistration of foreign operations		**(1,886)**	(1,419)
Gain on revaluation of land and buildings, and plant and machinery		**12,606**	16,708
Deferred tax arising from revaluation of land and buildings, and plant and machinery		**(542)**	–
Other comprehensive (expense) income for the year (net of tax)		**(3,623)**	5,814
Total comprehensive income for the year attributable to owners of the Company		**44,443**	67,172
Earnings per share	*7*		
Basic		**HK$0.07**	HK$0.09
Diluted		**HK$0.07**	HK$0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**253,280**	238,871
Prepaid lease payments		**951**	983
Goodwill		**96,822**	96,822
Intangible asset		**17,894**	30,331
Deferred tax assets		**8,567**	8,563
Deposits paid for acquisition of property, plant and equipment		**1,948**	6,820
		379,462	382,390
Current assets			
Inventories		**247,821**	221,835
Trade and other receivables	8	**156,681**	147,164
Prepaid lease payments		**32**	32
Tax recoverable		**7,979**	7,613
Pledged bank deposit		**2,183**	2,177
Bank balances and cash		**45,998**	62,765
		460,694	441,586
Current liabilities			
Trade and other payables and accruals	9	**141,468**	153,933
Tax payable		**58,719**	57,075
Unsecured bank borrowings		**6,978**	–
Obligations under finance leases		**–**	1,847
		207,165	212,855
Net current assets		**253,529**	228,731
Total assets less current liabilities		**632,991**	611,121
Capital and reserves			
Share capital	10	**71,733**	71,229
Reserves		**472,203**	446,997
Equity attributable to owners of the Company		**543,936**	518,226
Non-current liabilities			
Deferred tax liabilities		**6,386**	8,558
Loans from ultimate holding company		**82,669**	84,337
		89,055	92,895
		632,991	611,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2011

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

The application of other new and revised Standards, Amendments and Interpretations in current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] *Effective for annual periods beginning on or after 1st July, 2011*

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

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

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

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

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

HKFRS 13 Fair Value Measurement

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

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

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of this new Standard may affect the amounts of property, plant and equipment reported in the consolidated financial statements measured at revalued amounts and result in more extensive disclosures in the consolidated financial statements.

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

3. SEGMENT INFORMATION

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

Specifically, the Group's operating segments under HKFRS 8 are – the United States, Europe, Mexico, Canada, Australia and New Zealand, Hong Kong and all other locations. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the Chairman of the Company, the chief operating decision maker, in order to allocate resources to segments and to assess their performance.

Segment revenues and results

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

For the year ended 31st December, 2011

	United States	**Europe**	**Mexico**	**Canada**	**Australia and New Zealand**	**Hong Kong**	**All other locations** *(Note)*	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER								
External sales	**756,660**	**19,822**	**13,848**	**34,754**	**15,576**	**10,355**	**31,316**	**882,331**
RESULTS								
Segment profit	**138,812**	**1,226**	**1,262**	**5,632**	**2,088**	**1,245**	**3,416**	**153,681**
Unallocated income								**13,360**
Unallocated expenses								**(115,494)**
Finance costs								**(3,181)**
Profit before taxation								**48,366**

For the year ended 31st December, 2010

	United States	Europe	Mexico	Canada	Australia and New Zealand	Hong Kong	All other locations *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	729,708	35,630	19,666	35,962	13,928	4,690	40,889	880,473
RESULTS								
Segment profit	158,820	4,130	3,122	6,132	2,209	621	5,509	180,543
Unallocated income								5,339
Unallocated expenses								(116,816)
Impairment loss on goodwill								(13,000)
Finance costs								(3,370)
Profit before taxation								52,696

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

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

Segments assets and liabilities

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

At 31st December, 2011	**United States**	**Europe**	**Mexico**	**Canada**	**Australia and New Zealand**	**Hong Kong**	**All other locations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
ASSETS								
Segment assets	**340,217**	**6,287**	**3,889**	**10,948**	**5,487**	**4,498**	**13,036**	**384,362**
Property, plant and equipment								**253,280**
Other corporate assets								**202,514**
Consolidated assets								**840,156**
LIABILITIES								
Segment liabilities	**81,481**	**1,849**	**1,205**	**3,029**	**1,358**	**928**	**3,232**	**93,082**
Unallocated corporate liabilities								**203,138**
Consolidated liabilities								**296,220**

At 31st December, 2010	United States	Europe	Mexico	Canada	Australia and New Zealand	Hong Kong	All other locations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	303,689	11,574	4,217	10,470	2,994	5,872	14,486	353,302
Property, plant and equipment								238,871
Other corporate assets								231,803
Consolidated assets								823,976
LIABILITIES								
Segment liabilities	96,378	3,541	1,887	3,456	1,337	1,059	5,593	113,251
Unallocated corporate liabilities								192,499
Consolidated liabilities								305,750

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

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

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

4. PROFIT BEFORE TAXATION

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after (crediting) charging:		
Gain on disposal of property, plant and equipment	**(198)**	(136)
Revaluation deficit (reversed) recognised on property, plant and equipment	**(389)**	3,225
Cost of inventories recognised as an expense	**571,920**	550,780
Allowance for obsolete inventories (included in cost of inventories recognised)	**456**	–
Auditor's remuneration	**3,333**	3,241
Amortisation of prepaid lease payments	**32**	32
Depreciation of property, plant and equipment	**45,021**	44,759
Impairment of property, plant and equipment	**1,174**	1,225
Amortisation of intangible assets (included in cost of sales)	**12,437**	12,437
Research and development costs (including staff costs of HK$ 2,957,000 (2010: HK$2,723,000)) *(Note a)*	**8,562**	14,314
Staff costs *(Note b)*	**281,333**	259,121

Notes:

a. The research and development costs of approximately HK$5,374,000 (2010: HK$9,909,000) is related to lighting products.

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

5. INCOME TAX (EXPENSE) CREDIT

	2011 *HK$'000*	2010 *HK$'000*
Current tax:		
Hong Kong	**(346)**	(380)
Other jurisdictions	**(1,954)**	(141)
	(2,300)	(521)
(Under) over provision in prior years		
Hong Kong	**3**	142
Other jurisdictions	**(747)**	10
	(744)	152
Deferred tax:		
Current year	**2,744**	9,031
Taxation (expense) credit attributable to the Company and its subsidiaries	**(300)**	8,662

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

According to the Investment License granted by Vietnam tax authority to Matrix Manufacturing Vietnam Company Limited ("MVN") and Keyhinge Toys Vietnam Joint Stock Company ("KVN"), the applicable Vietnam enterprise income tax rate is 10% during their operating periods. MVN is eligible for exemption from Vietnam enterprise income tax for four years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next four years. For the year ended 31st December, 2011, MVN applied the tax rate of 5% (2010: 5%) on the estimated assessable profit as it is the seventh year since its first profit-making year. KVN applied the tax rate of 10% (2010: 10%) on the estimated assessable profit. The applicable Vietnam enterprise income tax rate for Associated Manufacturing Vietnam Company Limited ("AVN") is 15% for twelve years starting from the date of operation and followed by 25% thereafter. AVN is eligible for exemption from Vietnam enterprise income tax for eight years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next seven years. The year ended 31st December, 2011 is the fourth profit-making year of AVN and thus AVN is exempted from Vietnam enterprise income tax for the year ended 31st December, 2011 and 2010. The applicable Vietnam enterprise income tax rate for Matrix Vinh Company Limited ("VVN") is 25% since the date of operation from 1st April, 2011.

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

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

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

The tax position of certain subsidiaries of the Group is currently under audit by the Hong Kong Inland Revenue Department ("IRD"). In March, 2008, the IRD issued estimated assessments to certain subsidiaries in respect of the years of assessment 2000/2001 and 2001/2002 with tax payable amounting to approximately HK$2,345,000 and HK$17,678,000, respectively. The Group filed an objection against such assessments for 2000/2001 and 2001/2002 and the whole tax demanded of HK$2,345,000 for 2000/2001 was heldover unconditionally by the IRD. The tax demanded for 2001/2002 for the amount of HK$4,713,000 was heldover on condition that the subsidiaries purchased an equal amount of tax reserve certificates, and the amount of HK$12,965,000 was heldover unconditionally by the IRD. In March 2009, the IRD issued assessments to certain subsidiaries in respect of the years of assessment from 2002/2003 to 2007/2008 amounting to approximately HK$163,658,000. In March, 2010, the IRD issued assessments to certain subsidiaries in respect of the year of assessment for 2003/2004 amounting to approximately HK$41,234,000. The Group filed objections to the IRD against such assessments on the grounds that these assessments were excessive, and that certain income under assessment neither arose in, nor was derived from, Hong Kong. The whole tax demanded for the year of assessment for 2003/2004 of HK$41,234,000 was heldover unconditionally by the IRD. In March 2011, the IRD issued protective assessments to certain subsidiaries in respect of year of assessment for 2004/2005 amounting to approximately HK$50,097,000 (in which HK$24,786,000 were issued on the same profits assessed but to two different entities on an alternative basis). The tax demanded for the year of assessment for 2004/2005 of HK$42,835,000 was heldover unconditionally by the IRD. Subsequently the IRD further issued collection notice to the relevant companies to demand for the outstanding tax payment, as no settlement was made on those taxes not held over. The balance payable by the subsidiary of the Company, Besco Enterprises Limited ("BEL") of approximately HK$7,262,000 remains unsettled up to the date of this report. Based on the tax assessment dated 30th November, 2011, BEL is liable to pay the amount together with the surcharge of approximately HK$8,388,000. On 19th August 2009, the IRD lodged a legal claim to a subsidiary of the Company, Shelcore Hong Kong Limited ("SHK") for tax settlement payment of approximately HK$2,403,000 in relation to the additional tax assessment issued by the IRD on 16th March, 2009 for the year of assessment 2002/2003. Based on the court order dated 21st January, 2011, SHK is liable to pay the tax amount together with the interest and penalty of approximately HK$2,706,000. The Directors have not made such tax provision because the settlement proposal submitted to IRD has covered SHK and BEL and no further tax provision is required. The Company had appointed a tax advisor to assist the Group in handling this tax audit. Up to the date of this report, the tax advisor together with the management and directors of the Group had several meetings and discussions with the case officers of the IRD and settlement proposal was submitted to the IRD. However, recently the IRD had verbally advised that the settlement proposal was not accepted by them and has proposed another settlement base for our consideration. Hence, the IRD has requested further submission of documents for assessing the tax status of such subsidiaries. Due to the additional request of information, the Directors cannot ascertain the timetable for the settlement of the final assessments for the years of assessments from 2000/2001 to 2009/2010. As at 31st December, 2011, the Group had made a tax provision in respect of these subsidiaries for the relevant years of assessment of approximately HK$56,500,000 (2010: HK$56,500,000). Apart from consulting tax advisers, the Directors have further reassessed the situation and consulted the legal advisers about the aforesaid cases and are still of the view that the Group's provision of HK$56,500,000 is sufficient for the case settlement in future. The IRD may impose a penalty and there is no reasonable basis to determine any amount of tax penalty payable at the moment.

6. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year		
2010 final, paid – HK 5 cents (2010: 2009 final, paid – HK 5 cents) per share	**35,615**	35,615
2011 interim, paid – HK 1.1 cents (2010: 2010 interim, paid – HK 3 cents) per share	**7,890**	21,369
	43,505	56,984

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

The final dividend of HK$3.5 cents (2010: HK5 cents) per share amounting to approximately HK$25,106,000 (2010: HK$35,615,000) has been proposed by the Directors and is subjected to approval by the shareholders in the annual general meeting. The proposed final dividend for 2011 will be payable in cash.

7. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**48,066**	61,358

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**717,327**	712,294
Effect of dilutive potential ordinary shares:		
Share options	**7,395**	1,623
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**724,722**	713,917

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the effects of the scrip dividend in June 2011.

The computation of diluted earnings per share for the year ended 31st December, 2011 and 2010 does not assume the exercise of certain share options of the company because the exercise price of these share options was higher than the average prices of the Company's shares.

8. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**131,589**	127,895
Less: Allowance for doubtful debts	**(4,834)**	(5,153)
	126,755	122,742
Other receivables, deposits and prepayments	**29,926**	24,422
Total trade and other receivables	**156,681**	147,164

Trade receivables

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

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	**110,002**	103,701
61 – 90 days	**16,005**	18,303
> 90 days	**748**	738
	126,755	122,742

Included in the Group's trade receivables are receivables of approximately HK$24,075,000 (2010: HK$39,216,000) denominated in the United States dollar ("USD"), foreign currency of the relevant Group entities.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**76,805**	92,891
Other payables and accruals	**64,663**	61,042
	141,468	153,933

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

	2011	2010
	HK$'000	*HK$'000*
0 – 60 days	**48,505**	73,806
61 – 90 days	**21,421**	15,831
> 90 days	**6,879**	3,254
	76,805	92,891

Other payables and accruals include HK$4,732,000 (2010: nil) dividend payable as at 31st December, 2011.

10. SHARE CAPITAL

	Number of shares		Share capital	
	2011	2010	**2011**	2010
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised				
At the beginning and end of the year	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid				
At the beginning of the year	**712,294**	712,294	**71,229**	71,229
Issue in lieu of cash dividend *(Note)*	**5,033**	–	**504**	–
At the end of the year	**717,327**	712,294	**71,733**	71,229

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

Note: On 17th June, 2011, the Company issued and allotted a total of 5,033,085 ordinary shares of HK$0.10 each in the Company at par value to the shareholders who elected to receive shares in the Company in lieu of cash payment for the 2010 final dividend. These shares issued rank pari passu with the existing shares in all respects.

11. CONTINGENT LIABILITIES

A. Legal Claim

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

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

   The total potential claim is approximately US$115,000 against Funrise, Inc. (total equivalent to HK$897,000). The Directors believe, based on legal advice, Funrise, Inc. has a meritorious defense based on a "contemporaneous exchange of value". The aforementioned complaint would not result in any material adverse effects on the financial position of the Group. Accordingly no provision is required to be made in the consolidated financial statements.

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

   MDL is a limited liability company incorporated in the British Virgin Islands. As at 31 December, 2011, MDL had net liabilities and did not own any significant assets. The Directors anticipate that MDL may be put into liquidation by GB. The Directors are of the opinion that any liquidation of MDL will not affect the financial position of the Group as a whole, or the Company itself. None of the other companies within the Group, including the Company and MDL's intermediate holding company, have any contractual commitment to GB. The Directors therefore consider, after receiving legal advice, that (i) the likelihood of GB making a successful legal claim against any of the companies within the Group is remote; and (ii) the possibility of any transfer of economic benefits in settlement of the claim of US$7,000,000 is remote and thus no provision of US$ 7,000,000 has been made in the consolidated financial statements.

   GB and its former directors represented to MDL that it was an exclusive licensee for footballs bearing trademarks of the Federation Internationale de Football Association ("FIFA"). Based on these representations, MDL entered into several agreements (including the Supply Appointment Agreement) with GB for the manufacture and distribution of such footballs and paid GB sums totaling US$8,070,000. However, MDL subsequently discovered that the agreement between FIFA and GB did not grant GB an exclusive license for footballs bearing the FIFA trademarks, contrary to the representations made to MDL. MDL would not have entered into agreements with GB and paid money to them if it had known that GB was not an exclusive licensee. Based on these representations, MDL has sought legal advice on applying to set aside the Award and to pursue their own rights against GB and its former directors and the legal adviser is in the process of doing further research as to whether a settling aside application can be made.

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

B. Additional tax assessments

The tax position of certain subsidiaries of the Company is currently being reviewed by the IRD, details of which are as set out in note 5.

SUMMARY OF THE AUDITOR'S REPORT

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

Basis for Qualified Opinion

As disclosed in note 38A(ii) to the consolidated financial statements, claims made by Matrix Distribution Limited ("MDL"), a wholly owned subsidiary of the Company, in respect of a Supply Appointment Agreement has been dismissed pursuant to an arbitral award made on 2nd March 2012 and the arbitrator ordered MDL to pay a sum of US$7,000,000 (equivalent to approximately HK$54,600,000) together with the accrued interest ("Award") to the respondent. The Group has not made any provision for the Award in the consolidated financial statements and has sought legal advice on applying to set aside the Award and to pursue their own rights against the respondent and its former directors. However, the legal advisor is in the process of doing further research as to whether a setting aside application can be made under 34(2)(a)(i) and/or (b)(ii) of the UNCITRAL Model Law as of the date of approval of the consolidated financial statements for issue. Accordingly, we are unable to obtain sufficient reliable audit evidence to satisfy ourselves as to whether any additional provision is necessary to be recognised in accordance with Hong Kong Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets" issued by the HKICPA.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31st December, 2011 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

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

[#] *Being Note 1 in this results announcement*

RESULTS

For the year ended 31st December, 2011, the Group's consolidated turnover slightly increased from HK$880,473,000 in previous year to HK$882,331,000 by 0.2%. The profit attributable to owners of the Company amounted to HK$48,066,000, down 21.7% from HK$61,358,000 for the last year. The basic earnings per share was HK7 cents (2010 basic earnings per share: HK9 cents). Major economies around the world slowed down and concerns over the European debt crisis lingered around the United States and Europe, which are the most important exporting markets of the Group, thus undermining the spending desire of the market. Our clients adopted a conservative approach during the course of placing orders or even postponed the placement of orders, which intensified the market competition and affected the bargaining power in pricing as well as the sales volume. Nevertheless, challenges brought about by intensified competition forced certain industrial players to quit the market, offering business opportunities for further development to reputable players with sound financial position in the toy industry, including the Group. LED lighting business, original equipment manufacturing ("OEM"), authorized brand licensing and original design manufacturing ("ODM") of toy businesses and the improvement of product design, development and marketing activities of self-owned brands and renowned brand names continued to be the core business of the Group. In 2011, the Group enriched its product mix of its new product lines, increased the percentage of products with a higher profit margin, optimized its marketing campaigns and expanded the distribution network of its products by increasing the of application of social media, blog and social network through the Internet and appointing more dedicated retailers. All these initiatives were well received by the market, thus recording a stable sales volume.

Regardless of the stringent cost control measures of the Group, prices of raw materials, including plastic materials, paper packaging materials and metal materials, increased. Energy prices also recorded an ever rising trend due to other external factors. In addition, the labor shortage in the Pearl River Delta of China, the appreciation of Renminbi and the higher statutory minimum wage in China also pushed up the direct labor cost. On the other hand, the high inflation rate, the appreciation of Renminbi against United States dollars and Hong Kong dollars and the increase in our expenses for product promotion, advertisement and trade fairs, thereby undermining the Group's profit margin.

DIVIDENDS

During the year, the Company paid an interim dividend of HK1.1 cents in cash (2010: interim dividend HK3 cents in cash) per share to the shareholders. The Directors had resolved to recommend the payment of a final dividend of HK3.5 cents (2010: HK5 cents) per share for the year ended 31st December, 2011, payable to shareholders whose names appear on the Register of Members of the Company on 4th May, 2012. Together with the interim dividend paid of HK1.1 cents per share, the total dividend per share for the year is HK4.6 cents (2010: HK8 cents).

BUSINESS REVIEW

The exporting market of the Group mainly included the United States (the "US"), Canada and Europe. In spite of the market with intense competition, the Group was able to retain its major and quality clients with its established goodwill in the sector and its persistence of supplying products with excellent quality and our turnover recorded an increase accordingly. The Group implemented stringent cost control measures to accommodate itself to the market uncertainties and the ever rising operation and production cost. In 2011, the Group actively took part in trade fairs for LED lighting products, including the US Lighting Fair, Hong Kong Lighting Fair, the Canton Fair and those held in Australia, India, Dubai, Vietnam, Poland and Istanbul. Besides, the Group also successfully secured a foothold in the South America market and its clientele consisted of clients in Columbia and Mexico. The Group established a network comprising distributors and clients from the US, UK, Germany, Sweden, Italy, Austria, Poland, Spain, Latvia, Ukraine, Russia, Dubai, Australia, Philippines, China and Hong Kong, aiming at generating a higher sales volume and driving a growth for the Group in the following year. We will participate in lighting fairs held in a number of countries in the following year.

MANUFACTURING OPERATION

The Group was operating 5 self-owned factories, of which 4 were in Vietnam and the other one was in Zhongshan, China. The Group adjusted the production activities of individual factory in a well-organized way to make use of the flexibility available in terms of capacity. In order to attain higher production efficiency, to be more cost efficient and to substantially reduce direct labor costs and management expenses, we further expanded our production activities in Vietnam during the year because the labor force in Vietnam was relatively abundant and the labor cost was also reasonable, providing a steady environment under which the Group was able to rely less on factories in China. During the year under review, in order to meet the demanding product requirement with modernized equipment, the Group increased its investment in production facilities in Vietnam by purchasing additional plant, equipment and moulds, and also applied internal capital expenditure to upgrade its production facilities and enhance the quality control for our laboratories.

SEGMENT PERFORMANCE

The Group was dedicated to diversify its sales channels, and meanwhile identify potential distributors and conduct research and development on new products to maintain our turnover and sales volume. The Group was also devoted to grow its lighting business to explore business opportunities. During the year under review, the Group achieved the following development in operations by geographic locations:

United States ("US")

The US was still the most important exporting market of the Group's toy products. Our turnover increased by 3.7% or HK$26,952,000 to HK$756,660,000 this year from HK$729,708,000 in 2010. The Group established a secured relationship with its existing OEM clients and would continue to fortify the said relationship. The authorized licensing business and ODM business delivered satisfactory performance as a whole while the orders for products under "TONKA" series from renowned retailers in the US also recorded a steady growth in general. The Group took an active role to design, develop, sell and market products under "TONKA", a brand name of our client, "GAZILLION", a self-owned brand name, and "GIRL ROLE PLAY", a new brand name, and meanwhile identified new distribution channels for those products. Since the economic conditions became stable, our sales volume resumed to a steady level eventually. In addition, products under "HOP" series, an exclusively authorized brand name, were well received in the US market. The Group endeavored to retain its existing distributors and clients, including Wal-Mart, Target, Costco, Toys "R" US and Kmart. We would also continue to retain the major brand names licensed under authorization to enrich our product range.

Canada

Our turnover in the Canadian market decreased by 3.4% or HK$1,208,000 to HK$34,754,000 this year from HK$35,962,000 in 2010. The decrease in turnover was resulted from the slowdown of economic recovery. However, the Group would strive to retain its existing distributors and clients, including Wal-Mart and Toys "R" US.

Europe

Europe was also an important market of the Group. Our turnover in Europe decreased by 44.4% or HK$15,808,000 to HK$19,822,000 this year from HK$35,630,000 in 2010. Concerns over the debt crisis still lingered around the European market and, therefore, our clients were cautious in the course of placing orders by adopting a more conservative approach for procurement. Certain products were adjusted according to market conditions and the bargaining power in pricing was hampered. Our turnover in Europe decreased was subject to direct impact. However, the Group still endeavored to retain its existing distributors and clients.

Mexico

Our turnover in Mexico decreased by 29.6% or HK$5,818,000 to HK$13,848,000 this year from HK$19,666,000 in 2010. The turnover recorded a decrease because certain clients adopted a conservative approach in the course of placing orders and certain products were adjusted according to market conditions. However, the Group still endeavored to retain its existing distributors and clients, including Coppel.

Australia & New Zealand

Our turnover in Australia and New Zealand increased by 11.8% or HK$1,648,000 to HK$15,576,000 this year from HK$13,928,000 in 2010. Sales volume resumed to a steady level because the economic conditions were stabilized eventually. The Group would strive to retain its existing distributors and clients, such as Kmart Australia.

Hong Kong

Our turnover in Hong Kong increased by 120.8% or HK$5,665,000 to HK$10,355,000 this year from HK$4,690,000 in 2010. Since the economy became stable, our sales volume gradually increased.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2011, the Group had bank balances and cash of approximately HK$45,998,000 (2010: HK$62,765,000) and pledged bank deposit of approximately HK$2,183,000 (2010: HK$2,177,000) secured for banking facilities granted. During the year under review, the Group obtained banking facilities in a total of approximately HK$50,000,000 (2010: HK$50,000,000) secured by fixed deposits and corporate guarantee given by the Company.

As at 31st December, 2011, the Group had bank loans of approximately HK$6,978,000 (2010: HK$nil). The Group's gearing ratio, representing the total debt (sum of unsecured bank borrowings, obligations under finance leases and loans from ultimate holding company) divided by equity attributable to owners of the Company, was 16.5% (2010: 16.6%).

During the year, net cash generated from operating activities amounted to approximately HK$56,394,000 (2010: HK$104,506,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

Capital Expenditure and commitment

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$57,194,000 (2010: HK$16,552,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash generated from operations. Capital expenditure authorised for the year but not contracted for amounted to approximately HK$2,003,000 (2010: HK$4,929,000).

Assets and Liabilities

At 31st December, 2011, the Group had total assets of approximately HK$840,156,000 (2010: HK$823,976,000), total liabilities of approximately HK$296,220,000 (2010: HK$305,750,000) and equity attributable to owners of the Company of approximately HK$543,936,000 (2010: HK$518,226,000). The net assets of the Group increased approximately 5.0% (2010: increased 6.7%) to approximately HK$543,936,000 as at 31st December, 2011 (2010: 518,226,000).

Significant Investments and Acquisition

There was no significant investment and acquisition for the year ended 31st December, 2011.

Significant Disposal

There was no significant disposal for the year ended 31st December, 2011.

Exchange Rate Risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain bank balances, pledged bank deposit and trade and other receivables of the Group are denominated in foreign currencies other than the functional currency of the relevant group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2011, the Group had a total of approximately 11,500 (2010: 12,000) employees in Hong Kong, Macau, PRC, Vietnam, US and Europe. The Group provides its employees with competitive remuneration packages commensurate to the level of pay established by the market trend in comparable businesses. A share option scheme was adopted for selected participants (including full time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

PROSPECTS

Due to the concerns about the European sovereignty debt crisis still linger around the US and European markets, the global economy recovery is uncertainty. Meanwhile, given the labor shortage in PRC cities which were mainly engaged in manufacturing activities, the appreciation of Renminbi, the fluctuation of prices of raw materials and the higher statutory minimum wage in China, labor costs are subject to increase. The ever rising energy costs and the appreciation of RMB may also result in higher production costs, which will have adverse impact on businesses of the Group. The Group's revenue is mainly derived from OEM and ODM businesses; however, the Group will keep on diversifying its business. The Group will strengthen its relationship with major clients and will strive to enhance its core business. Vietnam is currently the alternative production base of the Group because the said country is more competitive than China or other Asia countries in terms of labor supply and labor costs. The Group's objectives still includes the simplification of work flow, the enhancement of operation and production efficiency, the streamlining of production procedures through automation, the improvement of production efficiency of its factories and the reduction of outgoings and transportation and administration costs. In addition, the Group will continue to improve its production efficiency including the retirement of inefficient production facilities and studying the possibility to make use of the idle capacity available in low seasons. The Group will try its best to upgrade its productivity and control its production costs.

The Group will keep on investing in the development of LED lighting products under its own brand name "VIRIBRIGHT", innovative products as well as products available for sale so as to ensure resources are directed towards clients of OEM and ODM businesses and to secure orders for our self-owned brand names and renowned products in emerging overseas markets. The Group will continue to invest in the development of new series of products under the brand name of "TONKA", "GAZILLION", "GIRL ROLE PLAY" and "HOP". Besides, we will also develop "TONKA" metal and die-cast toy cars, aiming at bringing those products to the retailing sector. Moreover, the Group has also implemented measures to explore new markets, including Korea and Japan, and to expand its clientele for the sake of maintaining its competitive edges. Since the global economy is still uncertain, market activities will still be suppressed. Nevertheless, we have expanded our product range and clientele, and we expect that our sales volume will be able to maintain at a steady level and that our financial position and operation will also stay healthy. Being one of the leading players in the industry, the Group will continue to supply the most competitive products with the best quality with our core advantages, including the economy of scale, the diversified manufacturing platform, the product quality and the technological expertise.

We believe the newly established lighting segment is going to bring the Group to a stage featuring diversified businesses. The Group's marketing team in the US and South America has recruited experienced marketing experts, and we will establish new sales offices in Australia in 2012. The Group keeps on developing innovative LED lighting products and expanding its product range, and newly developed products include Spot lights, PAR lamps, candle lamp, PLC lamp and a complete series of higher power globe bulbs and T8 Tubes. On the other hand, the Group has installed 20 sets of computerized fully-automatic LED chips bonding equipment, and has fully automated its production lines. The Group is also going to increase its productivity in 2012 to make it more competitive in the LED lighting market. In 2011, the production cost of LED lighting was lower because the price of LED chips decreased slightly. Since the range of LED lighting products is quite limited at the moment and the market of which is still at the preliminary stage, the Group will continue to identify the income potential of LED lighting manufacturers around the world in order to expand its existing business and capitalize on the opportunities of diversified investment. The Group will also focus on the development of new products to meet the expectation of clients, and will introduce flexible and yet effective marketing campaigns for the sake of enhancing its sales activities in the market and promoting the brand image of "VIRIBRIGHT". The Group is optimistic about our business outlook.

Looking forward, the Group will continue to focus on its profitability and efficiency will be our ultimate goal. Accordingly, we will closely monitor the development of our lighting and toy businesses so as to expand our business in a strategic way and on a timely basis, thereby rewarding our shareholders with the highest return.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board had adopted its own code on corporate governance practices in which incorporates all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CGP Code").

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the CGP Code and its own code except the deviation from the Code 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 CGP Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Sunshine Hotel, Imperial Banquet Room IV-V, 2/F., Imperial Wing, 1 Jiabin Road, Shenzhen, China on 4th May, 2012 at 2:30 p.m.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd, May, 2012 to 4th, May, 2012, both days inclusive for the entitlement to attend the AGM, and be closed on 10th May, 2012 for the final dividend entitlement, during such periods no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30th April, 2012. In order to be eligible to have final dividend, all transfers accompanied by the relevant share certificates must be lodged with the address of the Company's Branch Share Registrar in Hong Kong as abovementioned, not later than 4:30 p.m. on 9th May, 2012.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31st December, 2011, including the accounting principles and practices adopted by the Group.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Stock Exchange. The 2011 Annual Report and Notice of AGM of the Company will be despatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

BOARD COMPOSITION

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Arnold Edward Rubin, Mr. Yu Sui Chuen, Ms. Cheng Wing See, Nathalie, Mr. Cheung Kwok Sing, Mr. Leung Hong Tai, Mr. Tsang Chung Wa and Mr. Tse Kam Wah as executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey and Mr. Wan Hing Pui as independent non-executive Directors.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 20th March, 2012