MATRIX

MATRIX HOLDINGS LIMITED

美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2015 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, 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	3	**1,277,063**	1,160,119
Cost of sales	4	**(806,233)**	(714,362)
Gross profit		**470,830**	445,757
Other income		**1,334**	3,485
Gain on disposal of a subsidiary		**218,134**	–
Other losses		**(2,860)**	(5,729)
Distribution and selling costs	4	**(127,588)**	(154,411)
Administrative expenses	4	**(139,393)**	(140,450)
Research and development costs	4	**(23,235)**	(22,215)
Operating profit		**397,222**	126,437
Finance costs		**(280)**	(1,353)
Profit before income tax		**396,942**	125,084
Income tax expense	5	**(9,069)**	(7,186)
Profit for the year attributable to owners of the Company		**387,873**	117,898

* *For identification purpose only*

	Note	**2015**	2014
		HK$'000	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(4,954)**	1,640
Other comprehensive income for the year, net of tax		**(4,954)**	1,640
Total comprehensive income for the year attributable to owners of the Company		**382,919**	119,538
Earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic earnings per share	*7*	**51**	16
Diluted earnings per share	*7*	**51**	16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**149,442**	187,469
Leasehold land and land use rights		**13,318**	14,685
Intangible assets		**96,822**	96,822
Deferred tax assets		**5,869**	5,465
Pledged bank deposit		**138**	–
Other non-current assets		**186,000**	–
		451,589	304,441
Current assets			
Inventories		**304,147**	310,443
Trade and other receivables and prepayments	*8*	**267,906**	193,962
Tax receivable		**18**	19
Cash and cash equivalents		**129,652**	68,417
		701,723	572,841
Total assets		**1,153,312**	877,282
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**75,620**	75,620
Reserves		**909,285**	601,986
Total equity		**984,905**	677,606

	Note	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**859**	540
Bank borrowings		**69**	–
		928	540
Current liabilities			
Trade and other payables and accruals	*9*	**160,453**	152,633
Tax payables		**6,957**	21,145
Bank borrowings		**69**	25,358
		167,479	199,136
Total liabilities		**168,407**	199,676
Total equity and liabilities		**1,153,312**	877,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2015

1 General information

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors on 17th March, 2016.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

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

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning 1st January, 2015:

HKAS 19 (Amendment)	Defined benefit plans: Employee contribution
Annual Improvements Project	Annual improvements 2010-2012 cycle
Annual Improvements Project	Annual improvements 2011-2013 cycle

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

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

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

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1st January, 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1st January, 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants	1st January, 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1st January, 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale and contribution of assets between an investor and its associate or joint venture	1st January, 2016

		Effective for accounting period beginning on or after
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1st January, 2016
HKFRS 11 (Amendment)	Accounting for acquisition of interests in joint operation	1st January, 2016
HKFRS 9	Financial instruments	1st January, 2018
HKFRS 14	Regulatory deferral accounts	1st January, 2016
HKFRS 15	Revenue from contracts with customers	1st January, 2018
Annual Improvements Project	Annual improvements 2012-2014 cycle	1st January, 2016

The Group intends to adopt the above new/revised standards and amendments to existing standards when they become effective. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3 Revenue and segment information

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

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

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

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

The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income and financial position.

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

Segment revenues and results

For the year ended 31st December, 2015

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	Other locations *(Note)*	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER									
External sales	1,131,554	13,737	12,891	70,241	9,014	32,492	7,134	–	1,277,063
RESULTS									
Segment profit/(loss)	257,296	(1,379)	2,390	12,730	1,772	2,565	(1,200)	–	274,174
Unallocated income									218,124
Unallocated expenses									(95,076)
Finance costs									(280)
Profit before taxation									396,942
Other segment information:									
Depreciation and amortisation	29,831	362	340	1,851	238	857	188	6,784	40,451

For the year ended 31st December, 2014

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	Other locations *(Note)*	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER									
External sales	1,019,862	20,170	12,261	55,918	14,504	24,657	12,747	–	1,160,119
RESULTS									
Segment profit/(loss)	210,129	(566)	337	10,818	2,053	2,542	1,612	–	226,925
Unallocated income									967
Unallocated expenses									(101,455)
Finance costs									(1,353)
Profit before taxation									125,084
Other segment information:									
Depreciation and amortisation	30,085	595	361	1,650	427	727	376	7,070	41,291

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

Segment profit/(loss) represents the profit/(loss) before taxation earned by each segment without allocation of investment income, other non-operating income, central administration costs and finance costs. This is the measure reported to the CODM, for purposes of resource allocation and performance assessment.

Segments assets and liabilities

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

As at 31st December, 2015

	The United States	Europe	Mexico	Canada	South America	Australia and New Zealand	Other locations *(Note)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	**483,121**	**11,358**	**4,673**	**18,409**	**2,607**	**12,234**	**39,789**	**572,191**
Property, plant and equipment								**149,442**
Leasehold land and land use rights								**13,318**
Unallocated and other corporate assets								**418,361**
Total assets								**1,153,312**
LIABILITIES								
Segment liabilities	**82,327**	**983**	**761**	**4,123**	**529**	**2,967**	**12,606**	**104,296**
Unallocated and other corporate liabilities								**64,111**
Total liabilities								**168,407**

As at 31st December, 2014

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

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

Other segment information

No analysis of capital expenditures, depreciation, amortisation of leasehold land and land use rights and amortisation of intangible assets is disclosed for both years as these items are neither included in segment assets nor segment results and are not reviewed by the CODM regularly.

Revenue from major products

	2015	2014
	HK$'000	*HK$'000*
Toys	**1,258,633**	1,123,123
Lighting products	**18,430**	36,996
	1,277,063	1,160,119

Geographical information

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

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

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**470**	120
Vietnam	**92,120**	105,706
The United States	**13,741**	17,008
The PRC	**241,076**	77,594
Other countries	**1,491**	1,726
	348,898	202,154

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

4 Expenses by nature

	2015	2014
	HK$'000	*HK$'000*
Raw materials and consumables used	**360,635**	388,714
Changes in inventories of finished goods and work-in-progress	**17,593**	(30,272)
Employee benefit expense	**398,852**	330,996
Depreciation of property, plant and equipment	**39,954**	40,775
Operating lease expenses	**20,662**	20,516
Advertising costs	**16,688**	19,787
Auditor's remuneration		
– Audit services	**4,005**	4,376
– Non-audit services	**1,526**	894
Amortisation of leasehold land and land use rights	**497**	516
Royalty expenses	**39,843**	49,145
Marketing expenses	**22,165**	19,292
Freight charges	**30,747**	41,050
Other expenses	**143,282**	145,649
	1,096,449	1,031,438
Representing:		
Cost of sales	**806,233**	714,362
Distribution and selling costs	**127,588**	154,411
Administrative expenses	**139,393**	140,450
Research and development costs	**23,235**	22,215
	1,096,449	1,031,438

5 Income tax expense

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**(2,527)**	(4,174)
– Other jurisdictions	**(6,413)**	(3,971)
(Under)/over-provisions in prior years		
– Hong Kong	**(99)**	257
– Other jurisdictions	**(115)**	108
Deferred tax	**85**	594
	(9,069)	(7,186)

Notes:

(i) Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(ii) Pursuant to the relevant Vietnam enterprise income tax rules and regulations, the applicable tax rates for subsidiaries operating in Vietnam range from 7.5% to 22.0% (2014: 7.5% to 22.0%) for the year.

(iii) The United States enterprise income tax rate for subsidiaries operating in the United States of America is 34% (2014: 34%) since the date of operation.

6 Dividends

The dividends paid in 2015 and 2014 were HK$75,620,000 (HK10 cents per share) and 60,477,000 (HK8 cents per share), respectively. A final dividend and special dividend in respect of the year ended 31st December, 2015 of HK7 cents (2014: HK6 cents) per share and HK6 cents (2014: nil) per share respectively, totally HK13 cents per share, amounting to approximately HK$98,306,000 (2014: HK$45,372,000), is to be proposed at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable as the final dividend and special dividend were proposed after the date of statement of financial position and will be accounted for in equity as an appropriation of retained profits in the year ending 31st December, 2016 when approved at the forthcoming annual general meeting.

	2015	2014
	HK$'000	*HK$'000*
Paid		
Interim dividend paid HK4 cents (2014: HK3 cents) per ordinary share	**30,248**	22,686
Proposed		
Final dividend proposed HK7 cents (2014: HK6 cents) per ordinary share	**52,934**	45,372
Special dividend proposed of HK6 cents (2014: nil) per ordinary share	**45,372**	–
Total dividend proposed HK13 cents (2014: HK6 cents) per ordinary share	**98,306**	45,372

7 Earnings per share

(a) Basic

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

	2015	2014
Profit attributable to owners of the Company *(HK$'000)*	**387,873**	117,898
Weighted average number of ordinary shares in issue *(thousands)*	**756,203**	756,025
Basic earnings per share *(HK cents)*	**51**	16

(b) Diluted

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

During the year ended 31st December, 2015, there were no dilutive potential ordinary shares. All the share options expired during the year ended 31st December, 2014.

	2015	2014
Profit for the year attributable to owners of the Company *(HK$'000)*	**387,873**	117,898
Weighted average number of ordinary shares for the purpose of basic earnings per share *(thousands)*	**756,203**	756,025
Effect of dilutive potential ordinary shares:		
Share options *(thousands)*	**–**	275
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**756,203**	756,300
Diluted earnings per share *(HK cents)*	**51**	16

8 Trade and other receivables and prepayments

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**234,715**	161,330
Less: Allowance for doubtful debts	**(5,535)**	(4,690)
	229,180	156,640
Prepayments	**23,587**	17,059
Deposits and other receivables	**15,139**	20,263
	267,906	193,962

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

	2015	2014
	HK$'000	*HK$'000*
0 – 60 days	**198,207**	112,163
61 – 90 days	**23,935**	42,512
More than 90 days	**7,038**	1,965
	229,180	156,640

9 Trade and other payables and accruals

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

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**74,960**	77,278
Other payables and accruals	**85,493**	75,355
	160,453	152,633

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

	2015	2014
	HK$'000	*HK$'000*
0 – 60 days	**55,843**	51,453
61 – 90 days	**12,851**	19,737
More than 90 days	**6,266**	6,088
	74,960	77,278

10 Contingencies

Matrix Resources Enterprise Limited, Keyhinge Enterprises (Macao Commercial Offshore) Company Limited and Maxguard Limited, subsidiaries of the Company (the "Subsidiaries"), are involved in a litigation related to the claims of fund transfer from Matrix Distribution Limited ("MDL") for no legitimate commercial purpose or justification. The Directors considered that these fund transfers are having commercial substance given these Subsidiaries are the suppliers and service providers of MDL.

As at 31st December, 2015, on the basis of legal advice obtained, the Directors are of the opinion that the Subsidiaries have good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

11 Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015	2014
	HK$'000	*HK$'000*
Property, plant and equipment	**677**	–

RESULTS

The Board (the "Board") of Directors (the "Directors") of Matrix Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2015, together with the comparative figures for the corresponding year in 2014.

As at 31st December, 2015, the Group's consolidated revenue increased by approximately HK$116,944,000 or 10.1% to approximately HK$1,277,063,000 from HK$1,160,119,000 in the last year. The profit attributable to the owners of the Company increased by approximately HK$269,975,000 or 229.0% to approximately HK$387,873,000 from approximately HK$117,898,000 of last year.

FINANCIAL REVIEW

Revenue

The year under review presented an increase in sales of toy business from its customers for the peak period of the production cycle, turnover continually recorded a growth and, as a result, an improvement in the performance for the year.

Gross profit

The Group's gross profit increased to approximately HK$470,830,000 as at 31st December, 2015 due to the increase in sales. The decrease in primary raw material costs offset the increase of other material costs and the direct labor cost.

Distribution and selling costs

Distribution and selling costs decreased to approximately HK$127,588,000 as at 31st December, 2015. The decrease in distribution and selling costs was mainly attributable to the decrease in royalty fee, commission fee and expenses on entertainment, marketing and promotion, which offset the increase in salaries.

Administrative expenses

Administrative expenses mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The total expenses were similar to that of last year.

Finance costs and income tax

Finance costs of this year decreased to approximately HK$280,000 as compared to last year, and income tax expense of this year increased to approximately HK$9,069,000 as compared to last year.

Research and development cost

Research and development cost slightly increased by approximately HK$1,020,000 or 4.6% in order to enhance the lighting and creative toys products for the expansion and continued growth of business.

Trade and other receivables and prepayments

Trade and other receivables and prepayments increased by approximately HK$73,944,000 to approximately HK$267,906,000 for this year as compared to last year, which was mainly due to the increase in receivables with credit periods ranging from 0 to 30 days.

Trade and other payables and accruals

Trade and other payables and accruals increased by approximately HK$7,820,000 to approximately HK$160,453,000 for this year as compared to last year, which was mainly due to the increase in other payables and accruals.

Quick Ratio

During the year, the quick ratio improved, mainly due to the improvement in the Group's liquidity.

Current Ratio

During the year, the current ratio improved, mainly due to the improvement in the Group's liquidity.

Financial position and cash flows review

The Group's cash flows were relatively sufficient the Group has repaid most of the bank loans so as to reduce the borrowing interest burden.

Liquidity and Financial Resources

As at 31st December, 2015, the Group had cash and cash equivalents of approximately HK$129,652,000 (2014: HK$68,417,000) and pledged bank deposit of approximately HK$138,000 (2014: nil) secured for bank loans. As at 31st December, 2015, the Group obtained banking facilities in a total of approximately HK$151,200,000 (2014: HK$151,200,000) of which HK$120,000,000 was supported by corporate guarantee and HK$31,200,000 was secured with floating charge on certain assets of the Group.

As at 31st December, 2015, the Group had bank borrowings of approximately HK$138,000 (2014: HK$25,358,000). The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was 0.01% (2014: 3.74%).

During the year, net cash generated from operating activities amounted to approximately HK$133,192,000 (2014: net cash generated from operating activities HK$140,691,000). 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$21,630,000 (2014: HK$32,443,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

Assets and Liabilities

At 31st December, 2015, the Group had total assets of approximately HK$1,153,312,000 (2014: HK$877,282,000), total liabilities of approximately HK$168,407,000 (2014: HK$199,676,000) and equity attributable to owners of the Company of approximately HK$984,905,000 (2014: HK$677,606,000). The net assets of the Group increased by 45.4% to approximately HK$984,905,000 as at 31st December, 2015 (2014: HK$677,606,000).

SIGNIFICANT INVESTMENTS AND ACQUISITION

There was no significant investment and acquisition for the year ended 31st December, 2015.

SIGNIFICANT DISPOSAL/IMPORTANT EVENT

Reference is made to the important event in relation to the disposal of a parcel of land together with the factories and other structures erected thereon in Shenzhen (the "Property") through the sale of the entire equity of its direct wholly-owned subsidiary by an indirect wholly-owned subsidiary of the Company (the "Disposal") at the total consideration of RMB272,000,000 (equivalent to approximately HK$337,280,000). Part of the consideration was paid by the purchaser in cash in the amount of RMB40,000,000 (equivalent to approximately HK$49,600,000) to the Company. As to the remaining balance in the amount of RMB232,000,000 (equivalent to approximately HK$287,680,000), the Company shall, in accordance with the terms of the sale and purchase agreement ("Sale and Purchase Agreement") and the undertaking letter, have the right to purchase certain residential properties at the fixed price of RMB19,500 per sq.m. (the "Fixed Price"), which was determined by the parties to the Sale and Purchase Agreement after arm's length negotiations with reference to current market price of the residential properties in the vicinity of the Property, within one year from the open for sale of the residential properties proposed to be built on the Property. Taking into account of, among other things, the determination of fair value of the Property and the recoverability of the settlement under the right to purchase, it is expected that as a result of the Disposal, the Group will have a gain on disposal of approximately HK$218,134,000, which is based on the fair value of the Property of HK$235,566,000 after the deduction of carrying amounts of assets and liabilities of the target company of HK$15,366,000 and related expenses of approximately HK$2,066,000.

Save as disclosed above, there was no significant disposal/major corporate event for the year ended 31st December, 2015.

SUBSEQUENT EVENT

There was no subsequent event for the year ended 31st December, 2015.

EXCHANGE RATE RISK

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

BUSINESS REVIEW

The Group has continued to perform well as revenue increased driven by the original equipment manufacturing ("OEM") business, together with the long-term partnership with famous customers including the owners and franchise users of globally well-renowned characters. "Gazillion ® Bubbles", the Group's self-owned brand, has been adjusted to position itself to target the mass market, so as to further enhance the public awareness of the brand. With respect to product portfolio, the Group has continuously and strategically broadened the range of toys to enhance the profitability, while exploring business opportunities in promotion activities for toys. The improvement in results is due to the enhancement of production efficiency as well as effective cost control. With its existing marketing plans for its brand products, the Group has been actively exploring new sales channels and introducing new sales plans for its products under the authorised licensing business brand "Tonka" and "My Little Pony", its self-owned brand "Gazillion ® Bubbles" and others like "girls role-playing". Despite the decrease in sales of authorised licensing brands "Tonka" and of plush toys' brand "My Little Pony", there was a boost in the global sales of "Gazillion ® Bubbles" bubble products and other products such as "girls role-playing", and "My Life", which offset the lower sales of the products under "My Little Pony" and plush toys. The Group entered into licensed brand production contracts with foreign well-known retailers and license holders in the US to focus on more profitable production lines, and explored opportunities for co-operation across various regions and product categories in an active manner to make a significant contribution to the Group's revenue. Given the fact that development and sales of lighting brand business were affected by the amendments to the regulatory specifications, the Group continuously integrated its inventory, actively refined its products, changed its marketing structure, studied and developed other new products and expanded its distribution channels to expand the geographical coverage and secure more orders from its clients.

Furthermore, toy safety remains the most concerned issue wherever in developed or emerging markets. The Group has actively complied with the European Union's (the "EU") latest legislation on toy manufacturing which applies to imported toys. In addition to compliance with government requirements, the Group also focuses on quality and design to improve product value.

Manufacturing operation

During the year under review, the Group has operated as a toy manufacturer offering services primarily on OEM and original design manufacturing ("ODM") basis. The Group has such major clients as world-famous toy brands, the same as last year. In order to provide the customers with one-stop development services, the Group offers its customers a wide spectrum of manufacturing services including design, prototyping, moulding, product validation, multi-skilled manufacturing, general assembly and packaging. With multi-functional production lines and professional engineering experience, the Group is capable of manufacturing a diverse array of products in its production operations, with focus on toy products which require very stringent safety standards.

The Group has completed the preparatory work for the smooth operation of new facilities in its plants in Vietnam and will primarily serve large-volume customers. The Group continued to optimise the capacity utilisation of this segment. The main production base is located in Vietnam where advantages remain in terms of relatively lower labor costs, abundant supply of labor force and less pressure on currency appreciation. Moreover, the Group took production-improvement measures, including plant integration and production capacity expansion, which enabled it to sustain the capacity increase of its plants in Vietnam.

During the year under review, the Group sold its plant in Shenzhen which was left unused and suspended from operation. As the purchaser intended to acquire the property for re-development, the property disposal came as a great opportunity for the Group to realise a gain. In addition, the right to purchase residential properties as part of the consideration would allow the Group to exchange for certain units in the residential properties at the fixed price after the open for sale, which would enable the Group to diversify its investments and broaden the asset base and income stream of the Group.

The US government has made multiple efforts to improve the safety of imported consumables, such as formally enforcing the Consumer Product Safety Improvement Act (CPSIA). To cope with such increasing concerns from overseas markets on product safety and environmental protection, the Group refined new methods and techniques to maintain product quality and safety, and pay close attention to and monitor the changes in safety standards and regulations in different markets to ensure compliance with the new requirements, with an aim to ensure our operating production base to be qualified continuously.

Segment performance

The overall US market remained on a steady recovery path. An improving job market, low interest rates and easier access to credit continued to support consumer confidence at a high level. The US economic recovery has increased the potential business opportunities in emerging and the US markets. An extended European debt crisis has overshadowed the pace of industrial recovery. The EU economic recovery has been weak due to the fluctuating global economy, coupled with the continent's mixed economic data, and slashed corporate and consumer confidence caused by the uncertainty of the sovereign debt crisis. Despite the sales prospects of Europe and South America faced headwinds of a slowing down economy under the circumstances, the Group has adopted prudent business direction and continues to keep the advantages to strengthen the international trading by searching for more new customers and developing for broaden markets. With the ongoing economic recovery, the Group has been active in improving product value, exploring collaboration opportunities across different product categories, and establishing diversified business in different areas. Such measures not only complement each other strategically to support the growth, but also help the Group deal with challenges brought by the industries and locations where it operates. According to a survey from a leading toy consumption market research institution, the US's overall toy retail sales in US Dollar terms in the first half of 2015 have increased as compared with the corresponding period of last year.

The United States ("US")

The US was still a major export market for the Group's toy products. Our turnover increased by approximately HK$111,692,000 or 11.0% to approximately HK$1,131,554,000 this year from approximately HK$1,019,862,000 last year.

The US economy continues to gain strong momentum. The Gross Domestic Product (GDP) of the US for the first three quarters of 2015 all increased. Though the economic growth rates slowed due to the extreme cold weather in the first quarter and slowdown in private investment and exports in the third quarter of 2015, the US economy will soon enter its best period for more than a decade. Meanwhile, with the positive factors such as falling energy prices, moderate inflation, less fiscal burden and improved financial position of families, companies and banks as well as the improved real estate market conditions, the unemployment rate of the US in 2015 remained at a low level, which has created a satisfactory economic performance.

There was an annual increase in the product sales of "Gazillion ® Bubbles" bubble products, "My Life" and "girls role-playing" in the US market. As one US mass-market retailer placed more orders in spring, the sales, particularly of "girls role-playing" recorded an impressive gain, with which the increase in the sales of OEM products have offset the impacts from the sales drop of plush toys of "Tonka" and "My Little Pony" this year due to the expansion in previous years, and the decreased sales of lighting products resulted from modification in product specifications and the transitional period with respect to change in marketing strategy. Given the above factors, the total turnover of the US market still recorded an increase.

Canada

Our turnover in the Canadian market increased by approximately HK$14,323,000 or 25.6% to HK$70,241,000 this year from approximately HK$55,918,000 last year.

Due to its sound banking and financial systems, as well as the improving employment, Canada has achieved the lowest unemployment rate since the recession in 2008, which continued to boost consumer demand. However, the Ruble crisis in Russia and the end of quantitative easing program in US as well as the uncertain prospects for global financial markets remain the biggest obstacle to Canadian economic growth. Moreover, the plunge in commodity prices may also adversely affect corporations' profits. Nevertheless, with the US economy picking-up and all the other factors, Canada's economy is growing. The sales of mass market retailers in respect of "girls role-playing" products series remained increasing, which offset the decrease in the sales of "Tonka" products series and "Gazillion ® Bubbles" products series. Furthermore, the sales of lighting products decreased due to modification of product specifications and the transitional period with respect to change in marketing strategy. In general, our turnover in the Canadian market still recorded an increase.

Europe

Our turnover in Europe decreased by approximately HK$6,433,000 or 31.9% to approximately HK$13,737,000 this year from approximately HK$20,170,000 last year.

The uncertainties in the European economy which arose from the long-lasting debt crisis and rising unemployment rates depressed domestic demands. Moreover, major downside risks exist, namely, poor financing conditions which stifled investment growth, continued deflationary pressure, austerity measures, entangling debt issues and unstable geopolitical conditions. Except for Romania, Finland and the UK which witnessed increase in the number of orders, the orders from Europe decreased due to the economic impact. In particular, the biggest decrease came from Russia, Estonia, Netherlands, Poland, Sweden, Ukraine, Italy, Hungary and France. All the above factors have led to the contracted profit margins of the European clients. Furthermore, orders of "Tonka", "My Little Pony" and "Gazillion ® Bubbles" products decreased, because the Group faced increasing difficulties in boosting the sales in European markets, while orders of "girls role-playing" from the United Kingdom (the "UK") increased. The UK saw its investment recover and private consumption improve, which owed to the continuous effect of fiscal consolidation, slower inflation and relaxed credit terms. On the other hand, our total turnover in the European market recorded a decrease, due to the decrease in sales of lighting products affected by modification of product specifications and the transitional period with respect to change in marketing strategy.

Mexico

Our turnover in Mexico increased by approximately HK$630,000 or 5.1% to approximately HK$12,891,000 this year from approximately HK$12,261,000 last year.

Given a close relationship between Mexico and the US, the Mexican economy has clearly benefited from the continuous recovery of the US economy which commenced in the second quarter of 2014. With the recovery of its domestic construction industry and the interest rate remaining at record low due to the loose monetary policy, the Mexican economy recorded growth in 2015. Considering the benefits from structural reforms which gradually emerged and the favorable economic trend of the US, the Mexican economy is expected to grow at a faster pace in 2016. Meanwhile, the loose monetary and fiscal policies such as the record-low interest rate continued to boost consumption and the investment sentiment, and thus help revive the Mexican economy. At the same time, the economy is also bolstered by fresh growth incentives such as the structural reforms in energy, labor and financial markets. Overall, the Mexican economy is expected to experience a substantial increase this year. Because of the increased demand for "Tonka", "Gazillion ® Bubbles" and other products, which offset the decrease in the sales of "My Little Pony", our total turnover in the Mexican market still recorded an increase, despite the decrease in the sales of lighting products affected by the modification of product specifications and the transitional period with respect to change in marketing strategy.

Australia and New Zealand

Our turnover in the Australia and New Zealand markets increased by approximately HK$7,835,000 or 31.8% to approximately HK$32,492,000 this year from approximately HK$24,657,000 last year.

The outlook of the Australian economy remains cloudy due to a decline recorded in the Australian Consumer Sentiment Index recently, low business confidence and the slump of global commodity prices. Against this situation, The Reserve Bank of Australia (RBA) has further lowered interest rates to stimulate the economy. In addition, given that the New Zealand government implemented a series of reform initiatives on the micro economy and made annual fund allocation to support and continuously promote economic recovery, sales in the Australian and New Zealand markets continue to grow. Owing to the higher sales volume of one mass market retailer of "Tonka", "Gazillion ® Bubbles" and "My Little Pony", an increase was recorded in the total turnover in the Australian and New Zealand markets. The Group will continue its efforts to maintain its existing distributors and clients such as Target.

South America

Our turnover in South America markets decreased by approximately HK$5,490,000 or 37.9% to approximately HK$9,014,000 this year from HK$14,504,000 last year.

The total turnover recorded a decline, as the demand for "Tonka" products was affected by the extended European debt crisis, economic uncertainties and the decrease in the sales of other products. The turnovers from Brazil, Chile, Peru, Columbia, Guatemala, Panama, Costa Rica, Argentina and Ecuador all recorded decline with Honduras as an exception. South America has not benefited much from the global economic recovery and even facing more resistance subsequent to the reporting period with economic slowdown. There is not much stimulation brought from the 2014 FIFA World Cup to the Brazilian economy. The slump of global commodity prices led to a decrease of the investment in mining industry, which in turn brought resistance for the Chilean economic growth. Argentina was faced with the difficult situation of massive macroeconomic imbalance. Capital outflows, exchange risks and the continuous shortage of US Dollar have made Argentine companies faced with extreme difficulty when carrying out international trades. Furthermore, our total turnover in the South American market recorded a decrease, due to the sales of lighting products affected by the modification of product specifications and transitional period for the change in sales strategies.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2015, the Group had a total of approximately 14,600 (2014: 11,600) employees in Hong Kong, Macau, the PRC, Vietnam, Australia, the United States and Europe. The Group provides its employees with competitive remuneration packages commensurate to the level of pay established by the market trend in comparable businesses. A share option scheme was adopted 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 Company and its subsidiaries (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 businesses.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board and internal controlling group 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 and the PRC, the Company provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund, basic medical insurance, labour insurance, etc. Staff is 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.

PROSPECT

Numerous economic indicators imply that global economy is recovering gradually, and rising personal consumption in the US, the Group's major market, is driving its economic improvement, which should offer a good opportunity for the Group's business development. Looking forward, with a stabilising economic growth in the US, an increasing orders, and the business opportunities brought by the US economic recovery, the Group will continue to develop its ODM brand business, and expand its distribution network and increase markets for its self-owned brand products, in order to cope with the ever-changing global market condition and achieve long-term and sustainable growth of revenue by providing its clients with innovative products under the brands of "Gazillion ® Bubbles" and "Tonka". It is also expected that the US economy will keep its upward trend in the coming year as the energy prices fall, the unemployment rate decreases, wages grow steadily, the real estate market improves, the financial situation of households improves and consumer confidence increases. Although the quantitative easing stimulus has weakened, it is expected that sustained low interest rates will continue to drive consumer spending and business investments, and thus economic growth is expected to accelerate. The Group's total order is now increasing. Nevertheless, the Group remains cautiously optimistic about its prospect as the players in manufacturing industry across the world still face challenges like geopolitical issues and rising costs.

Over the years, China has been losing its cost advantage to some developing countries as a production base. Therefore, the Group had transferred its major production base to Vietnam a few years ago. At present, the Group operated four factories in Vietnam, which should lend strong support to its business expansion. In addition to developing the core toy business as a major growth engine, the Group will also allocate resources in optimising and improving production process to enhance operating efficiency and profitability. The Group is considering further expanding production capacity in Vietnam when appropriate in a bid to cope with rising market demand for its products. While taking advantage of all the new opportunities, the Group will, based on its solid business foundation, continue its efforts to explore more business opportunities across different regions and develop more categories of products to strengthen its market leadership and further enlarge its market share. The Group is promoting and implementing diversified development strategy by making its toy business repositioning and undertaking reasonable reform within the year, and further expanding the Group's business coverage and promoting its business diversification strategy. The Group is prepared to capture future investment opportunities and will continue to explore more cooperation cross regions and product categories, and expand its market share in Canada, the UK and Australia. The Group will develop more self-owned brand products and enhance the marketing strategies of products to lay a solid foundation for expanding its future distribution. The Group will also strive to improve its products, develop other new products and expand its distribution channels, with an aim to expand its geographical coverage and secure orders from potential customers. In response to the modification of lighting-product specifications, lighting products business will be adjusted progressively to support the sales of the products of new specifications, and the Group believes that the sales of the products of new specifications will improve accordingly. The Group will strive to maintain authorised licensing business for major brand, enrich other product lines and retain existing distributors and clients like Wal-Mart, Target and Toys "R" US.

Looking ahead, the Group's ultimate goal is to continue maintaining profitability and achieving cost efficiency. As such, we will closely monitor the Company's development strategy so as to maximise the return for our shareholders.

DIVIDEND

During the year, the Company paid an interim dividend of HK4 cents in cash (2014: HK3 cents in cash) per share to the shareholders. The Directors have resolved to recommend the payment of a final dividend of HK7 cents (2014: HK6 cents) and special dividend of HK6 cents (2014: nil) per share for the year ended 31st December, 2015 respectively. Total final and special dividend of HK13 cents (2014: HK6 cents) per share for the year ended 31st December, 2015 payable to shareholders whose names appear on the Register of Members of the Company on 11th May, 2016. Together with the interim dividend paid of HK4 cents per share, the total dividend per share for the year is HK17 cents (2014: HK9 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 19th May, 2016 in cash.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG")

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Peony Room, Crowne Plaza Hotel & Suites Landmark Shenzhen, No. 3018, Nanhu Road, Shenzhen on 5th May, 2016 at 2:30 p.m.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4th May, 2016 to 5th May, 2016, both days inclusive for the entitlement to attend the AGM, and be closed on 11th May, 2016 for the final dividend entitlement, during such periods no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3rd May, 2016. 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 10th May, 2016.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31st December, 2015, 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 2015 Annual Report and Notice of AGM of the Company will be despatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

BOARD COMPOSITION

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

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 17th March, 2016