MATRIX HOLDINGS LIMITED
美力時集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED RESULTS

The board (the "Board") of directors (the "Directors") of Matrix Holdings Limited (the Company", together with its subsidiaries, the "Group") is pleased to announce the unaudited consolidated results of the Group for the year ended 31st December 2019, together with the comparative figures for the year ended 31st December 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") as below. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31st December 2019 has not been completed.

* *For identification purpose only*

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*4*	**1,316,101**	1,353,665
Cost of sales		**(847,596)**	(887,877)
Gross profit		**468,505**	465,788
Other income	*5*	**25,577**	4,328
Other gains and losses	*6*	**81,023**	(9,491)
Impairment losses on intangible assets		**(10,966)**	–
Distribution and selling costs		**(200,722)**	(152,950)
Administrative and other expenses		**(183,550)**	(148,946)
Research and development costs		**(26,676)**	(23,969)
Operating profit		**153,191**	134,760
Finance costs	*7*	**(5,868)**	(8,525)
Profit before income tax	*8*	**147,323**	126,235
Income tax (expense) credit	*9*	**(7,828)**	1,874
Profit for the year		**139,495**	128,109

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(2,814)**	6,620
Total comprehensive income for the year, net of tax		**136,681**	134,729
Profit (loss) for the year attributable to:			
Owners of the Company		**143,001**	134,960
Non-controlling interests		**(3,506)**	(6,851)
		139,495	128,109
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**140,187**	141,580
Non-controlling interests		**(3,506)**	(6,851)
		136,681	134,729
Earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)			
Basic earnings per share	*11*	**19**	18
Diluted earnings per share	*11*	**19**	18

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**177,248**	171,255
Leasehold land and land use rights		**–**	11,873
Intangible assets		**118,720**	163,501
Deferred tax assets		**24,398**	24,578
Deposits paid	*12*	**25,711**	56,856
Right-of-use assets		**275,137**	–
Other non-current assets		**–**	186,000
		621,214	614,063
Current assets			
Inventories		**302,972**	349,776
Trade and other receivables and prepayments	*12*	**374,699**	301,794
Tax receivable		**206**	2,831
Cash and cash equivalents		**133,832**	294,066
		811,709	948,467
Total assets		**1,432,923**	1,562,530
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**75,620**	75,620
Reserves		**1,069,346**	1,008,560
Equity attributable to owners of the Company		**1,144,966**	1,084,180
Non-controlling interests		**(3,146)**	360
Total equity		**1,141,820**	1,084,540

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**917**	1,352
Lease liabilities		**66,663**	–
		67,580	1,352
Current liabilities			
Trade and other payables and accruals	*13*	**165,579**	171,920
Contract liabilities		**13,036**	3,664
Tax payables		**8,475**	7,635
Bank borrowings		**23,030**	36,502
Loan from third parties		**–**	256,556
Obligations under finance leases		**–**	361
Lease liabilities		**13,403**	–
		223,523	476,638
Total liabilities		**291,103**	477,990
Total equity and liabilities		**1,432,923**	1,562,530

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2019

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 principal activities of the Company are investment holding and those of its principal subsidiaries are to be set out in the annual report of 2019.

The Company is an exempted limited liability company incorporated in Bermuda. The addresses of the registered office and principal place of business of the Company are to be disclosed in the corporate information of the annual report of 2019.

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

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

HKFRS 16 "Leases" ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities is range from 2.5% to 7.0%.

	At 1st January, 2019 *HK$'000* **(Unaudited)**
Operating lease commitments disclosed as at 31st December, 2018	**84,637**
Less: Recognition exemption – short-term leases	**(860)**
	83,777
Lease liabilities discounted at relevant incremental borrowing rates	**(33,158)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**50,619**
Add: Obligations under finance leases recognised at 31st December, 2018	**361**
Lease liabilities as at 1st January, 2019	**50,980**
Analysed as:	
Current	**17,365**
Non-current	**33,615**
	50,980

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$'000* (Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		50,619
Reclassified from prepaid lease payments *(Note)*	*(a)*	11,873
Assets previously under finance leases included in property, plant and equipment under HKAS 17	*(b)*	286
		62,778
By class:		
Leasehold land and land use rights		11,873
Land and buildings		48,126
Office equipment		2,779
		62,778

Notes:

(a) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to HK$11,873,000 was reclassified to right-of-use assets.

(b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1st January, 2019 amounting to HK$286,000 as right-of-use assets.

The following adjustments were made to the amounts recognised in the unaudited consolidated statement of financial position at 1st January, 2019. Line Items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31st December, 2018** *HK$'000* (Audited)	**Reclassification** *HK$'000*	**Carrying amounts under HKFRS 16 at 1st January, 2019** *HK$'000* (Unaudited)
Non-current Assets				
Property, plant and equipment	*(b)*	171,255	(286)	170,969
Leasehold land and land use rights	*(a)*	11,873	(11,873)	–
Right-of-use assets		–	62,778	62,778
Current Liabilities				
Lease liabilities	*(b)*	–	(17,365)	(17,365)
Obligation under finance leases	*(b)*	(361)	361	–
Non-current Liabilities				
Lease liabilities		–	(33,615)	(33,615)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the unaudited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The unaudited consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers less discount, rebates, taxes and returns.

i. Disaggregation of revenue from contracts with customers

Segments	**2019**	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Types of goods		
Manufacturing and trading of toys	**1,248,467**	1,273,000
Manufacturing and trading of lighting products	**67,634**	80,665
Total	**1,316,101**	1,353,665
Timing of revenue recognition		
At a point in time	**1,316,101**	1,353,665

The revenue disaggregated by geographic markets is detailed below.

ii. Performance obligations for contracts with customers

The Group is engaged in the toy manufacturing business for international brand customers and lighting products manufacturing directly to consumers or through sub-distributors on wholesale and trade basis.

For sales of toys and lighting products to international brand customers and the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers and the customers have obtained control on the goods through their ability to direct other use of and obtain substantially all the benefits from the goods. Payment of the transaction price is due immediately at the point the customers purchase the goods.

Following the delivery, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 14 to 90 days upon delivery.

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 based on the geographical location of customers.

The CODM assess 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 unaudited consolidated financial statements.

Assets of reportable segments exclude property, plant and equipment, intangible assets, deferred income tax assets and other 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 unaudited 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 unaudited consolidated statement of profit or loss and other comprehensive income and unaudited consolidated statement of financial position.

There are two main businesses of the Group, including toys and lighting business. CODM do not consider the lighting business as a separate segment for both years as it is not material to the Group.

Segment revenues and results

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

For the year ended 31st December, 2019 (Unaudited)

	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Other locations HK$'000 (Note)	Unallocated HK$'000	Consolidated HK$'000
REVENUE									
External sales	1,057,047	113,303	10,190	70,047	14,020	38,107	13,387	–	1,316,101
RESULTS									
Segment profit	205,169	7,567	204	5,598	2,143	1,891	943	–	223,515
Unallocated income, gains and losses									91,993
Unallocated expenses									(162,317)
Finance costs									(5,868)
Profit before income tax									147,323
Other segment information:									
Depreciation and amortisation	91,977	9,064	1,138	7,736	1,566	4,166	1,460	3,482	120,589
Impairment losses on intangible assets	–	–	–	–	–	–	–	10,966	10,966

For the year ended 31st December, 2018 (Audited)

	The United States *HK$'000*	Europe *HK$'000*	Mexico *HK$'000*	Canada *HK$'000*	South America *HK$'000*	Australia and New Zealand *HK$'000*	Other locations *HK$'000* (Note)	Unallocated *HK$'000*	Consolidated *HK$'000*
REVENUE									
External sales	1,151,698	99,344	5,151	57,085	8,550	24,856	6,981	–	1,353,665
RESULTS									
Segment profit (loss)	250,665	(12,311)	(762)	4,879	1,499	812	535	–	245,317
Unallocated income, gains and losses									4,030
Unallocated expenses									(114,587)
Finance costs									(8,525)
Profit before income tax									126,235
Other segment information:									
Depreciation and amortisation	37,020	2,184	46	367	77	116	59	4,124	43,993

Segment profit (loss) represents the profit (loss) before income tax earned by each segment without allocation of certain income, other gains and losses, central administration costs and finance costs. This is the measure reported to the CODM, for the purposes of resource allocation and performance assessment.

Segments assets and liabilities

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

As at 31st December, 2019 (Unaudited)

	The United States *HK$'000*	Europe *HK$'000*	Mexico *HK$'000*	Canada *HK$'000*	South America *HK$'000*	Australia and New Zealand *HK$'000*	Other locations *HK$'000* *(Note)*	Consolidated *HK$'000*
ASSETS								
Segment assets	**444,382**	**63,071**	**5,359**	**41,427**	**7,117**	**27,694**	**114,332**	**703,382**
Property, plant and equipment								**177,248**
Right-of-use assets								**275,137**
Unallocated and other corporate assets								**277,156**
Total assets								**1,432,923**
LIABILITIES								
Segment liabilities	**70,718**	**19,792**	**538**	**3,674**	**735**	**3,487**	**28,614**	**127,558**
Lease liabilities								**80,066**
Unallocated and other corporate liabilities								**83,479**
Total liabilities								**291,103**

As at 31st December, 2018 (Audited)

	The United States HK$'000	Europe HK$'000	Mexico HK$'000	Canada HK$'000	South America HK$'000	Australia and New Zealand HK$'000	Other locations HK$'000 (Note)	Consolidated HK$'000
ASSETS								
Segment assets	485,127	50,029	3,177	34,896	5,227	17,634	112,336	708,426
Property, plant and equipment								171,255
Leasehold land and land use rights								11,873
Unallocated and other corporate assets								670,976
Total assets								1,562,530
LIABILITIES								
Segment liabilities	87,170	26,089	341	3,783	567	1,898	270,607	390,455
Unallocated and other corporate liabilities								87,535
Total liabilities								477,990

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

For the purposes of monitoring segment performances and allocating resources amongst 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 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.

Geographical information

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

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**1,370**	2,443
Vietnam	**356,142**	167,064
The United States	**64,013**	10,219
The PRC	**44,749**	235,239
Europe	**10,697**	7,172
Other countries	**1,125**	3,847
	478,096	425,984

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

Information about major customers

For the year ended 31st December, 2019, there are 2 customers (2018: 2 customers) in the United States with revenue amounted to HK$616,019,000 (2018: HK$799,869,000) and HK$219,781,000 (2018: HK$146,858,000), contributing to approximately 46.8% and 16.7% (2018: 59.1% and 10.8%), respectively, of the total revenue of the Group. There is no other single customer contributing over 10% of the total revenue of the Group.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest income on bank deposits	**4,191**	3,976
Sales of scrap materials and samples	**2,168**	56
Broadcasting income	**14,438**	–
Rental income	**1,716**	–
Royalty income	**1,723**	–
Others	**1,341**	296
	25,577	4,328

6. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss on disposal of property, plant and equipment	**(1,177)**	(1,966)
Net exchange (loss) gain	**(4,170)**	4,876
Net measurement of loss allowance for trade receivables	**1,069**	(12,401)
Gain on derecognition of non-current assets	**85,301**	–
	81,023	(9,491)

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interests on:		
Bank borrowings	**1,599**	1,822
Loan from third parties	**1,583**	6,667
Finance leases	**–**	36
Lease liabilities	**2,686**	–
	5,868	8,525

8. PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit before income tax has been arrived at after charging (crediting):		
Raw materials and consumables used	**440,200**	398,968
Changes in inventories of finished goods and work-in-progress	**(42,128)**	21,853
Employee benefit expense	**368,587**	409,742
Depreciation of property, plant and equipment	**39,151**	42,286
Depreciation of right-of-use assets	**23,153**	–
Short-term leases expenses	**7,962**	–
Operating lease expenses	**–**	25,499
Advertising costs	**45,074**	22,150
Auditor's remuneration		
– Audit services	**4,207**	3,650
– Non-audit services	**1,499**	1,557
Amortisation of leasehold land and land use rights	**–**	481
Amortisation of intangible assets (included in cost of sales)	**58,285**	1,226
Royalty expenses	**63,551**	40,119
Freight charges	**32,636**	24,182
Other expenses	**216,367**	222,029
	1,258,544	1,213,742
Representing:		
Cost of sales	**847,596**	887,877
Distribution and selling costs	**200,722**	152,950
Administrative and other expenses	**183,550**	148,946
Research and development costs	**26,676**	23,969
	1,258,544	1,213,742

9. INCOME TAX EXPENSE (CREDIT)

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax:		
– Hong Kong	**2,137**	281
– Other jurisdictions	**6,639**	7,868
(Over)underprovisions in prior years:		
– Hong Kong	**(161)**	(321)
– Other jurisdictions	**(520)**	538
Deferred tax	**(267)**	(10,240)
	7,828	(1,874)

10. DIVIDENDS

The total dividends paid in 2019 and 2018 were HK$79,401,000 (HK10.5 cents per share) and HK$75,620,000 (HK10 cents per share), respectively. A final dividend in respect of the year ended 31st December, 2019 of HK3 cents (2018: HK5 cents) per share, amounting to approximately HK$22,686,000 (2018: HK$37,810,000), is to be proposed at the forthcoming annual general meeting. These unaudited consolidated financial statements do not reflect this dividend payable as the final dividend was proposed after the date of consolidated statement of financial position and will be accounted for in equity as an appropriation of retained profits in the year ending 31st December, 2019 when approved at the forthcoming annual general meeting.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Paid		
Interim dividend paid HK5.5 cents (2018: HK5 cents) per ordinary share	**41,591**	37,810
Proposed		
Final dividend proposed HK3 cents (2018: HK5 cents) per ordinary share	**22,686**	37,810

11. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to owners of the Company	**143,001**	134,960
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**756,203**	756,203
Effect of dilutive ordinary shares		
Share options	**2,380**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**758,583**	756,203
	HK cents	*HK cents*
Basic earnings per share	**19**	18
Diluted earnings per share	**19**	18

The computation of diluted earnings per share for the year ended 31st December, 2018 did not assume the exercise of the Company's share options because the exercise price of these share options was higher than the average market price of the shares for 2018.

12. DEPOSITS PAID, TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables – contract with customers	**290,564**	263,606
Less: Allowance for credit losses	**(9,386)**	(22,028)
	281,178	241,578
Prepayments	**43,823**	34,541
Other deposits and other receivables	**28,011**	18,186
Deposits paid for purchase of land	**20,301**	11,012
Deposits paid for acquisition of assets through acquisition a subsidiary *(Note)*	**–**	37,916
Deposits paid for purchase of raw materials	**18,045**	5,772
Deposits paid for purchase of property, plant and equipment	**2,531**	–
Deposits paid for purchase of patents	**–**	4,877
Rental and utilities deposits	**6,521**	4,768
	400,410	358,650
Less: Non-current deposits paid	**(25,711)**	(56,856)
	374,699	301,794

Note:

On 12th December, 2018, the Group entered into a memorandum of understanding with Nguyễn Chí Dũng and four other Vietnamese individuals, which are independent third parties, to acquire the entire equity interests in Javi Investment Joint Stock Company ("Javi") at a cash consideration of VND561,400,000,000 (approximately equivalent to HK$190,876,000). A 20% deposit of VND112,280,000,000 (approximately equivalent to HK$37,916,000) has been paid as at year ended 31st December, 2018. For details, please refer to the announcement dated on 9th January, 2019. The acquisition is completed in May 2019 and details are disclosed in note 14.

The Group allows a credit period of 14 to 90 days to its trade customers. An ageing analysis of trade receivables based on invoice date at the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**182,647**	167,170
61 – 90 days	**43,714**	37,709
More than 90 days	**54,817**	36,699
	281,178	241,578

As at 31st December, 2019, trade receivables of HK$175,949,000 (2018: HK$202,482,000) were fully performing and not past due.

As at 31st December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$105,229,000 (2018: HK$39,096,000) which are past due as at the reporting date. Out of the past due balances, HK$10,946,000 (2018: HK$4,840,000) has been past due 90 days or more and is not considered as in default due to the management's historical experience on the settlement pattern or record from these debtors are satisfactory and the good relationship with these debtors.

As at 31st December, 2019, the Group has provided for impairment of HK$9,386,000 (2018: HK$22,028,000) on certain individually impaired trade receivables who have either been placed under liquidation or in severe financial difficulties.

The Group applies simplified approach on non-credit impaired trade receivables to provide for ECL prescribed by HKFRS 9 and assessed credit impaired balances individually. To measure the ECL, trade receivables are assessed individually for debtors with significant balance and collectively using a provision matrix for the remaining balances, which is grouped based on shared credit risk characteristics and the historical observed default rates adjusted for forward-looking estimates that is available without undue costs or effort.

The other classes within trade and other receivables and prepayments do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**69,021**	89,695
Accrued employee benefit expenses	**45,561**	45,831
Other payables and accruals	**50,997**	36,394
	165,579	171,920

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**36,951**	52,691
61 – 90 days	**18,398**	13,630
More than 90 days	**13,672**	23,374
	69,021	89,695

14. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

Acquisition of Javi

On 23rd May, 2019, the Group completed the acquisition of 100% equity interest in Javi from an independent third party at a cash consideration of VND561,400,000,000 (equivalent to approximately HK$190,876,000). The principal assets of Javi are leasehold land and land use rights. The assets acquired were as follows:

Consideration transferred

	HK$'000
	(Unaudited)
Cash	190,876

Fair value of assets acquired and liabilities assumed at the date of acquisition recognised by the Group:

	HK$'000
	(Unaudited)
Leasehold land and land use rights	190,834
Cash and cash equivalents	2
Other receivables	40
Net assets assumed	190,876
Net cash outflow on acquisition:	
Consideration paid	(181,333)
5% of consideration to be paid, included in other payable	(9,543)
Cash and cash equivalents acquired	2
	(190,874)

15. CONTINGENT LIABILITIES

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

Upon receipt of the audit findings of Hasbro Group and completion of own investigation, the Group determined that Hasbro Group, at best, was owed approximately US$863,000, which was promptly paid. Hasbro Group disputed the Group's conclusion and issued a notice of termination of the remaining license agreement. The Group filed an action in the United States of America disputing Hasbro Group's interpretation of the license agreement, denying Hasbro Group's alleged right to terminate the license agreement, and alleged that Hasbro Group breached the license agreement by wrongfully attempting to terminate the license. Hasbro Group has filed a counterclaim, contending that the Group owes the amount alleged in the audit and the Group has violated Hasbro Group's intellectual property rights. Hasbro Group has agreed, without prejudice to any claim, to allow the Group to continue to perform pursuant to the license agreement until a court resolution, settlement or the termination of the license by its terms which will occur in the future. Both parties involved are currently engaged in an early mediation.

The Group has sought legal advices and intends to vigorously contest Hasbro Group's claim and as such no further provision is considered required to be made in the unaudited consolidated financial statements for the year ended 31st December, 2019 and 2018 in respect of these matters.

16. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**4,917**	23,181
Acquisition of a subsidiary	**–**	151,663
	4,917	174,844

RESULTS

During the year of 2019 (the "year"), the Group's unaudited consolidated revenue reported approximately HK$1,316,101,000, decreased by approximately HK$37,564,000 or 2.8% as compared to approximately HK$1,353,665,000 of 2018 ("last year"). The profit attributable to the owners of the Company increased by approximately HK$8,041,000 or 6.0% to approximately HK$143,001,000 from approximately HK$134,960,000 of last year.

FINANCIAL REVIEW

Revenue

Revenue of the year under review recorded approximately HK$1,316,101,000, decreased by approximately by 2.8% from last year.

Gross profit

The Group's gross profit for the year increased by approximately 0.6% to approximately HK$468,505,000 as a result of improved control over overall production costs.

Distribution and selling costs

Distribution and selling costs increased by approximately 31.2% to approximately HK$200,722,000 for the year. The increase was mainly attributable to the increase in advertising and royalty-related expenses for toys products during the year.

Administrative expenses

Administrative expenses of the year increased by approximately 23.2% to approximately HK$183,550,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The increase resulted mainly from increase in professional fees and general office expenses during the year.

Finance costs and income tax

Finance costs of the year decreased by approximately 31.2% to approximately HK$5,868,000 as compared to last year due to decrease in the loan from third parties. Income tax expense of this year recorded approximately HK$7,828,000 as compared to income tax credit of approximately HK$1,874,000 of last year due to the decrease in deferred tax assets.

Research and development cost

Research and development (R&D) cost increased by approximately 11.3% to approximately HK$26,676,000 for the year as more resources were allocated to conduct R&D for toys product during the year.

Trade and other receivables and prepayments

Trade and other receivables and prepayments of the year increased by approximately 24.2% to approximately HK$374,699,000 as compared to last year, mainly due to our product mix of terms of credit.

Trade and other payables and accruals

Trade and other payables and accruals of the year decreased by approximately 3.7% to approximately HK$165,579,000 as compared to last year, mainly due to the decrease in purchases and other payables and accruals.

Quick Ratio

The quick ratio of the year was higher than last year which resulted mainly from the settlement of the loan from the third parties during the year.

Current Ratio

The current ratio of the year was higher than last year which resulted mainly from the settlement of the loan from the third parties during the year.

Financial position and cash flows review

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

Liquidity and Financial Resources

As at 31st December, 2019, the Group had cash and cash equivalents of approximately HK$133,832,000 (2018: HK$294,066,000). As at 31st December, 2019, the Group obtained banking facilities in a total of approximately HK$70,000,000 (2018: HK$121,180,000) of which was supported by corporate guarantee.

As at 31st December, 2019, the Group had bank borrowings of approximately HK$23,030,000 (2018: HK$36,502,000).

The Group's gearing ratio, representing the total debt divided by total equity, decreased to 2.0 % (2018: 27.0%) due to the decrease in loan from third parties during the year.

During the year, net cash generated from operating activities amounted to approximately HK$180,398,000 (2018: HK$159,052,000). 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$48,201,000 (2018: HK$47,835,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

Assets and Liabilities

As at 31st December, 2019, the Group had total assets of approximately HK$1,432,923,000 (2018: HK$1,562,530,000), total liabilities of approximately HK$291,103,000 (2018: HK$477,990,000) and equity attributable to owners of the Company of approximately HK$1,144,966,000 (2018: HK$1,084,180,000). The net assets of the Group increased by 5.3% to approximately HK$1,141,820,000 as at 31st December, 2019 (2018: HK$1,084,540,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

On 23rd May, 2019, the Group completed the acquisition of 100% equity interest in a subsidiary, Javi Investment Joint Stock Company from an independent third party for a cash consideration of VND561,400,000,000 (equivalent to approximately HK$190,876,000). The principal assets of the subsidiary are leasehold land and land use rights.

SIGNIFICANT DISPOSAL/IMPORTANT EVENT

Pursuant to the term of the loan from third parties, the lenders are entitled to the option (the "Option") to obtain the right to purchase for the residential properties in its current state (the "Right to Purchase") so as to make good of the loan principal of RMB225,000,000 (equivalent to HK$263,070,000) and the relevant accrued interest payable amounting to RMB7,040,000 (equivalent to HK$8,231,000) in full. On 15th March, 2019, the lenders exercised the Option and the transfer of the Right to Purchase has been completed on the same date. Under the terms of the loan agreement, upon the exercise of the option, the lenders undertook not to pursue any outstanding loan amounts against the Group. It resulted in a gain on derecognition of non-current assets of HK$85,301,000 and is recognised in profit or loss during the year ended 31st December, 2019.

SUBSEQUENT EVENT

The outbreak in late December 2019 of the novel coronavirus, has adversely impacted global economic activity in the period subsequent to the reporting date. Given the widespread nature of the outbreak, the relative impact to the Group's operation cannot be reliably quantified or estimated as at the date of this report. The Company continues to closely monitor the situation.

Other than this and matters outlined in these unaudited consolidated financial statements, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in coming foreseeable years.

EXCHANGE RATE RISK

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

BUSINESS REVIEW

The ODM business became the major growth driver for the Group. The growth was mainly due to the growth in sales driven by the license of "CAT" obtained by the Group and continued support from major customers. During the year, the Group continued to focus on developing and marketing popular product lines and continuous shipment of "CAT" toys. Although macroeconomic and competitive pressures continued to weigh coupled with the Sino-US trade war and Brexit, the Group's performance in 2019 has not been significantly negatively impacted. Despite an increase in the sales of ODM business, the Group's overall revenue recorded a slight decline, underpinned by a decrease in the sales of OEM business. The Group recorded lower raw material costs and reduced wages expense, which offset the increase in royalty fees as a result of increased sales and the increase in distribution costs resulting from more marketing activities conducted for our new product series. Meanwhile, the transfer of Right to Purchase for certain residential commercial properties brought a one-off gain to the Group, which also contributed to an increase in the Group's net profits.

Manufacturing operations

Vietnam's economy continues to show fundamental strength, supported by domestic demand and export-oriented manufacturing. While supported by robust foreign direct investment inflows, the factors underpinning Vietnam's potential for long-term growth (including low cost of labour relative to its competitors, including China's inland provinces and other East Asian countries despite upward adjustments in minimum wage year by year) remain largely unchanged. The Group maintains its main production base in Vietnam. Leveraging on its leading position in the industry and its capacity expansion plan in Vietnam, the Group reorganised its plant processes, and optimised supply chain processes, which effectively enhanced growth potential to meet the market demand, reduce production costs and further increase gross profit. In addition, the Group kept localising its production and management operations and improving its automatic production level to enhance its production capacity and quality so as to maintain competitiveness. On the other hand, the Group also places product safety as the number one priority. The Group is and has always committed to ensuring compliance with changes in relevant laws and regulations.

Segment performance

The sales momentum of the new product series of ODM business continued from North America to other markets such as Europe, South America and Asia, with strong market support received for the new brands of "CAT" and "Fart Ninjas" and increased shipment to the retail chains of our largest customer. Meanwhile, the Group has exerted efforts in exploring opportunities to promote its products and businesses, so as to further broaden income stream. Despite the price pressure resulting from severe competition among toy manufacturers which has continued to erode the profit margin of each segments, our revenue has remained high in the past years with the growth in sales orders.

Overall speaking, there was an increase in sales orders from mass-market retailers for both ODM products, including toy car products of "CAT" and OBM products, including outdoor game products of "Gazillion ® Bubbles" and "Fart Ninjas". The Group has been actively producing new toy products and introducing sales programs for brands such as "Herodrive", "Fart Ninjas" and "CAT". Though sales of OEM business and lighting products in Europe slightly decreased in the year, the Group's overall revenue reported a slightly decrease.

In view of its leading position in the global toy industry, strong customer base covering top international toy companies and manufacturing base located in Vietnam as well as healthy financial position, it is expected that the Group will be able to achieve the target of sustainable development in the long run with its proven two-pronged development strategy of taking the OEM business as a solid foundation and the OBM business as a growth driver. Meanwhile, the Group continued to streamline its operating procedures to improve efficiency and adopted various measures to strictly control costs.

The US

The US was still a major export market for the Group's products. Our revenue decreased by approximately HK$94,651,000 or 8.2% to approximately HK$1,057,047,000 for this year from approximately HK$1,151,698,000 for the last year. There was a decrease in sales of the OEM business, which offset the increase in sales of the ODM business, resulting in a decrease in the overall turnover.

Economic growth in the US recovered significantly from 2009 to 2019. Low unemployment and high wages as well as the enactment of reforms, including tax cuts, have supported robust economic performance. However, the US economy will see sluggish growth as global trade tensions, including the US-Sino trade dispute, domestic monetary policy tightening and energy price volatility could pose challenges and weigh on trade and investment.

The North American toy market remained strong. The Group recorded an increase in sales from mass-market retailers for ODM toy car products of the new brand "CAT" and OBM outdoor products of "Gazillion ® Bubbles" and an increase in sales of lighting products. However, sales of the girls' toy series products and the OEM products recorded a decrease. Overall, the revenue generated from the US market recorded a slight decline. The Group would strive to maintain its authorised licensing business for major brands, enrich other product lines and retain existing distributors and clients, including Wal-Mart, Target and Amazon.

Canada

Our revenue in the Canadian market increased by approximately HK$12,962,000 or 22.7% to approximately HK$70,047,000 this year from approximately HK$57,085,000 last year.

Canada's healthy banking and financial system and continued growth in non-commodity export-related industries aided by low statutory tax rates have lent support to domestic business. Although the Canadian economy is expected to strengthen in line with the stronger US and global economy, the country's growth is likely to be tempered by uncertainty stemming from volatility in commodity prices as well as near-term downside risks posed by global trade tensions, volatile oil prices and elevated household debt.

The sales from the Group's mass-market retailers in respect of OBM outdoor game products of "Gazillion ® Bubbles" and ODM toy car products of "CAT" continued to increase, which offset the decrease in the sales of girls' toy series products and push toy products. As a whole, the revenue generated from the Canadian market recorded an increase. The Group will make efforts to maintain its existing distributors and clients, such as Wal-Mart, Toys "R" US and Costco Canada.

Europe

Our revenue in Europe increased by approximately HK$13,959,000 or 14.1% to approximately HK$113,303,000 this year from approximately HK$99,344,000 last year.

The EU economy moderated due to escalated trade tensions with the US, political uncertainty as well as slowing economic growth in some Member States such as Germany, France, the UK and Italy, which posed recent economic downside risks. To cope with the downside risks, the European Central Bank kept elements of its exceptionally loose monetary policy fundamentals after ending its quantitative easing program in 2018. Overall, both the eurozone and EU continued expanding in 2019.

Despite the slowdown in economic growth in the EU, the Group continued to focus on sales orders of "CAT" products and OBM outdoor products of "Gazillion ® Bubbles", which recorded an increase in orders received. The Group recorded an increase in orders from customers in the UK, Denmark, Estonia, Netherlands, Finland, Italy, Russia, Ukraine, Switzerland, France, Spain, Portugal and Belgium, despite a decrease recorded in sales of lighting products in Europe. Overall, our revenue in the European market recorded an increase. The Group will continue its efforts to maintain existing distributors and clients such as Costco.

Mexico

Our revenue in Mexico increased by approximately HK$5,039,000 or 97.8% to approximately HK$10,190,000 this year from approximately HK$5,151,000 last year.

While trade growth remains strong, emerging risks stemming from global trade protectionism and the slower pace of internal reforms may impact investment. Mexico's growing manufacturing sector, solid private consumption levels and ongoing deepening of domestic financial markets combined with an uptick in fixed investment into the energy sector in the next few years imply economic growth will be solid. Overall, due to an increase in orders for the Group's ODM toy car products, our total revenue in the Mexican market recorded an increase.

Australia and New Zealand

Our revenue in the Australia and New Zealand markets increased by approximately HK$13,251,000 or 53.3% to approximately HK$38,107,000 this year from approximately HK$24,856,000 last year.

Persistent fiscal deficits in recent years weighed on Australia's economic risk profile, but overall the country still performed well and the fiscal deficit narrowed significantly. The favourable financing conditions, coupled with somewhat stronger consumer spending, should prop up domestic demand. The New Zealand economy is boosted by the country's low unemployment and strong fiscal health. Nevertheless, there appears to be growing reliance on external financing and the economy faces downside risks due to a still precarious property market. The Group recorded an increase in orders for ODM toy car products and boys' toy series of "Fart Ninjas", which offset the decrease in sales of lighting products, girls' toy series products and OBM outdoor products of "Gazillion ® Bubbles". Our overall market revenue in Australia and New Zealand recorded an increase. The Group will continue its efforts to maintain its existing distributors and clients such as Big W.

South America

Our revenue in South America markets increased by approximately HK$5,470,000 or 64.0% to approximately HK$14,020,000 this year from HK$8,550,000 last year.

As South American companies are expanding into the global market, there may be a pool of potential new customers. Yet not every South American country has responded in the same way to the global economy. Each has chosen a development path dependent upon their natural resource endowments due to the unfavorable global commodity prices and the weak consumer and investor confidence. However, a majority has turned to diversification of industry and exports for economy growth.

Overall, the Group recorded an increase in sales in Panama, Chile, Argentina, Honduras, Ecuador, Costa Rica, Colombia, Guatemala, Paraguay, Bolivia and Peru. Orders for toy car products and outdoor game products in ODM business increased. As a whole, our revenue in South American markets recorded an increase.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2019, the Group had a total of approximately 7,700 (2018: 9,500) employees in Hong Kong, Macau, the PRC, Vietnam, Australia, the US, Canada, Taiwan, Mexico and Europe. The Group provides its employees with competitive remuneration packages commensurate with the level of pay established by the market trend in comparable businesses. A share option scheme was adopted by the Group for selected participants (including full-time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

ENVIRONMENTAL PROTECTION

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

PROSPECT

Looking forward, in light of the ongoing US-China trade war, there is an increasing number of customers exploring manufacturers based outside China. The Group, as a toy manufacturer, is well positioned with its strong production capacity especially in Vietnam and able to stand out from its peers to attract new customers while maintaining good relations with existing customers. In view of the rapid change of global economy arising from the Brexit, the Group will continue to explore sales opportunities, and review and navigate its business strategies based on the market changes. The Group designs and manufactures a wide spectrum of toys for our customers who sell such products worldwide to the end customers. The Group will continue to explore new sales opportunities and manufacture high quality products with competitive prices to sustain its business in pursuit of sustainable development in the long run. The Group has launched a number of new toy products for renowned toy car license holders under licensed brands, including a new line of "CAT" toy cars, enriched its series of "Herodrive" and "Fart Ninjas", and actively promoted other new products to other retailers. The Group will closely examine new opportunities that enable it to advance diversified development, so as to broaden the Group's revenue and customer base and contribute to cross-selling opportunities that lead ultimately to the further broadening of revenue stream. Meanwhile, the Group will continue to develop its OEM business, which will help secure income sources. The Group will continue its efforts to enhance machinery automation and process control technology with an aim to expanding its production capacity to meet rising market demand.

Entering into 2020, the outbreak of the 2019 Novel Coronavirus (COVID-19) has brought uncertainties to the operating environment of the Group. However, the situation is still full of uncertainty at this moment. The Group will review and adjust its business prospects and future investment plans time from time based on market demand and the needs of its existing customers, so as to generate revenue and profits.

The Group has a long history of running the manufacturing business in Da Nang, Vietnam and is familiar with the business environment of Da Nang. The Group acquired the land use rights to five parcels of lands located at Lien Chieu District of Da Nang City, which were intended to be developed for property investment purpose. The acquisition is in line with the overall development strategy of the Group of actively identifying and exploring different investments and good merger and acquisition opportunities in order to acquire new businesses or assets that will bring additional value, synergistic effects and new income streams to the Group, with a view to broadening its assets and income base. The Group will strive to expand its existing operations and diversify its businesses to strengthen income base. Meanwhile, the Group will also actively seek to acquire new business or assets that will bring additional value and new income streams to the Group, in order to maximise the interests of the Group and the shareholders as a whole, strengthen its leading position in the global toy market and bring long-term returns to its shareholders. As such, the Group will closely monitor the Company's development strategy so as to maximise the return for our shareholders.

PROPOSED FINAL DIVIDEND

During the year, the Company paid an interim dividend of HK5.5 cents (2018: HK5 cents) in cash per share to the shareholders.

Subject to the audited annual results for the year ended 31 December 2019 to be issued upon completion of the auditing process will be consistent in all material respects with the unaudited annual results set out herein, the Directors resolved to recommend the payment of a final dividend of HK3 cents (2018: HK5 cents) in cash per share for the year ended 31st December, 2019, payable to shareholders whose names appear on the Register of Members of the Company on 4th June, 2020. Assuming the condition mentioned above is satisfied, together with the interim dividend paid of HK5.5 cents per share, the total dividend per share for the year is HK8.5 cents (2018: HK10 cents).

Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 12th June, 2020 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"), which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Listing Rules on the Stock Exchange.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on 28th May, 2020 at 2:30 p.m. A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21st May, 2020 to 28th May, 2020, both days inclusive for the entitlement to attend the AGM, and be closed on 4th June, 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20th May, 2020 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 3rd June, 2020.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31st December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31st December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed venue on which the forthcoming annual general meeting will be held, and (iii) if there is any changes on the period during which the register of members holding shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting, their eligibility to have final dividend and the proposed arrangements relating to dividend payment. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the year ended 31st December, 2019, including the accounting principles and practices adopted by the Group.

PUBLICATION OF ANNUAL REPORT

This unaudited results announcement is published on the website of the Stock Exchange and the Company. The 2019 Annual Report and Notice of AGM of the Company will be despatched to the shareholders of the Company as well as published on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

BOARD COMPOSITION

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Mr. Tsang Chung Wa, Mr. Tse Kam Wah, Mr. Yu Sui Chuen and Ms. Yip Hiu Har 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, 26th March, 2020