MATRIX

Matrix Holdings Limited
美力時集團有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 1005

MATRIX

VIRIBRIGHT

VIRIBRIGHT®
LED LIGHT BULB

Funrise

Funrise®

ANNUAL REPORT 2015

OUR MISSION

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

Content

Corporate Profile

Danang City, Vietnam – First Plant

Danang City, Vietnam – Second Plant

MATRIX is a well-established manufacturer of plastic, die-cast and plush toys, with vertically integrated production process including mould making, manufacturing and design and a manufacturer of lighting products. Currently, the Group operates four plants in Vietnam. As at 31st December, 2015, the Group employed approximately 14,600 staff in Hong Kong, Macau, the PRC, Vietnam, Australia, the United States of America and Europe. The Shelcore and the Funrise Group, well-established toy companies in designing, manufacturing and selling plastic toys were merged into the Group since 2005 and 2007 respectively.

Danang City, Vietnam – Third Plant

Vinh City, Vietnam – Fourth Plant

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun *(Chairman)*
Arnold Edward Rubin *(Vice Chairman)*
Cheng Wing See, Nathalie
Cheng King Cheung
Leung Hong Tai
Tsang Chung Wa
Tse Kam Wah
Yu Sui Chuen

Independent Non-executive Directors

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

AUDIT COMMITTEE & REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Lai Mei Fong

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building, Central,
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL PLACE OF BUSINESS

Suite Nos. 223-231
2nd Floor, Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China, Macau Branch
DBS Bank (Hong Kong) Limited

WEBSITE

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

STOCK CODE

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

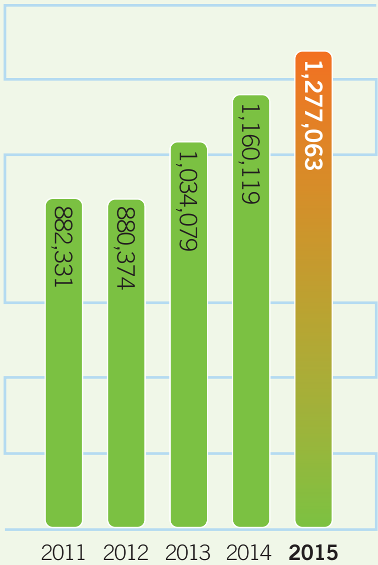
Financial Highlights

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

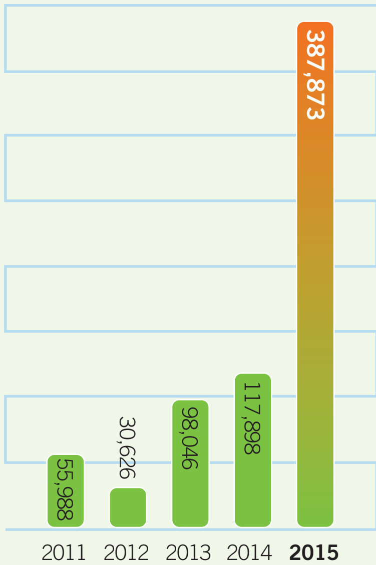
CONSOLIDATED

(HK$'000, except where otherwise stated)	**2015**	2014	% Change
Revenue	**1,277,063**	1,160,119	10.1%
Gross profit	**470,830**	445,757	5.6%
Profit for the year attributable to the owners of the Company	**387,873**	117,898	229.0%
Earnings per share – Basic	**HK51 cents**	HK16 cents	218.8%
Dividend per share			
Interim, paid	**HK4 cents**	HK3 cents	33.3%
Final, proposed	**HK7 cents**	HK6 cents	16.7%
Special, proposed	**HK6 cents**	–	100.0%
Gross Profit Margin (%)	**36.9**	38.4	(3.9%)
Net Profit Margin (%)	**30.4**	10.2	198.0%
Gearing Ratio (%)	**0.01**	3.74	(99.7%)
Current Ratio	**4.2**	2.9	44.8%
Quick Ratio	**2.4**	1.3	84.6%

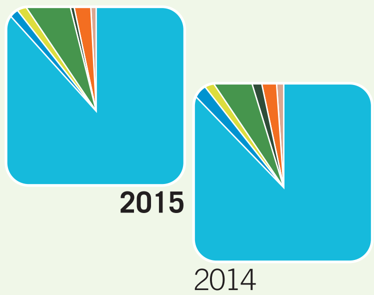
TURNOVER



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



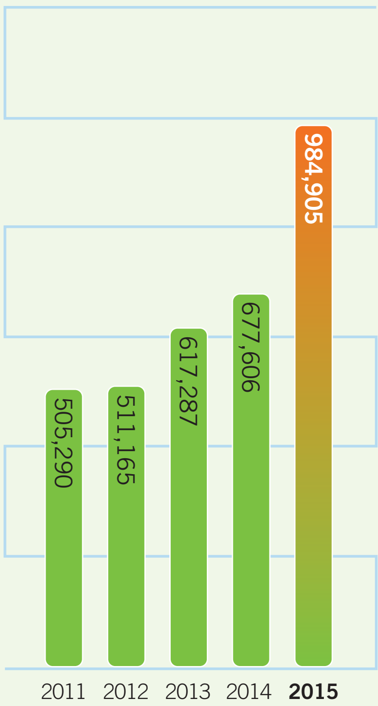
TURNOVER BREAKDOWN BY MARKET



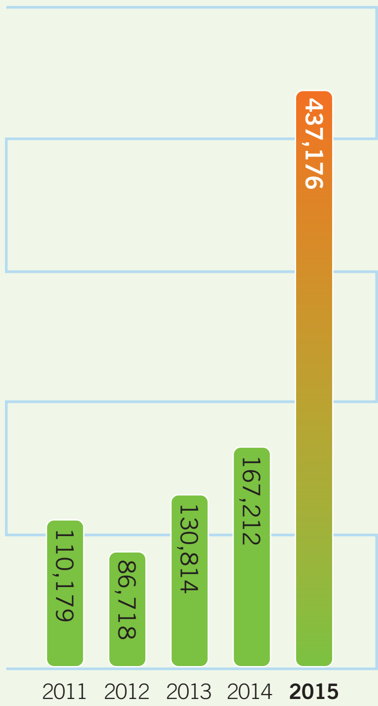
	2015	2014
United States	**88.6%**	87.9%
Europe	**1.1%**	1.7%
Mexico	**1.0%**	1.1%
Canada	**5.5%**	4.8%
South America	**0.7%**	1.3%
Australia and New Zealand	**2.5%**	2.1%
Others	**0.6%**	1.1%

Financial Highlights

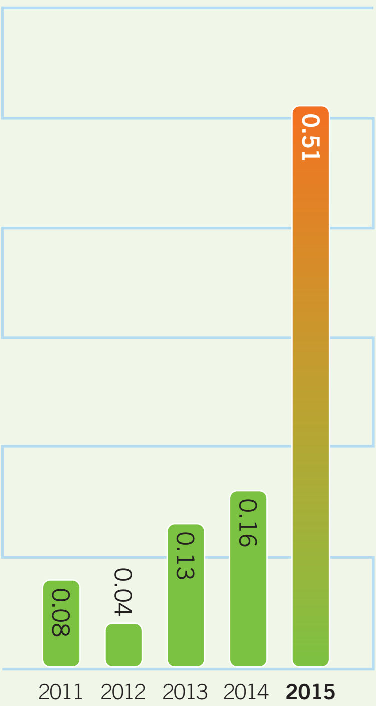
NET ASSETS



EBITDA



BASIC EARNINGS PER SHARE



DEFINITIONS

$$\text{Gross Profit Margin (\%)} = \frac{\text{Gross Profit}}{\text{Turnover}} \times 100\%$$

$$\text{Net Profit Margin (\%)} = \frac{\text{Profit attributable to owners of the Company}}{\text{Turnover}} \times 100\%$$

$$\text{Gearing Ratio (\%)} = \frac{\text{Total Debt}}{\text{Equity attributable to owners of the Company}} \times 100\%$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Current Assets excluding Inventories}}{\text{Current Liabilities}}$$

Chairman's Statement

To Our Shareholders,

I am pleased to present to our shareholders the annual report of Matrix Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31st December, 2015.

During the year under review, the Group's recorded a consolidated revenue of approximately HK$1,277,063,000, which increased by approximately HK$116,944,000 or 10.1% as compared with approximately HK$1,160,119,000 of 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.

During the year under review, the global economy experienced gradual recovery. With continual economic growth in the North America, decrease of unemployment rate in the United States ("US"), improvement in real estate sector fundamental, and warmer consumption atmosphere in the North American market, consumer confidence is getting stronger. With the US as the Group's main market playground and thanks to improving macroeconomic environment and the Group's active efforts to promote business growth, with the retained relatively low crude oil price, the Group experienced stable business growth during the year under review. Since our original equipment manufacturing business was expanded, the sales were higher than expected, leading to year-on-year growth in the Group's operating revenue and income.

The Group continued to practice its existing business strategy to provide featured products and establish diversified brands with leading design. Through establishing strong cooperative partnership with the retailers in the US major mass markets as well as the world's well-known brand licensed toy clients, we added new product lines for selling around the world, so as to cope with our business strategy to expand across the global markets as well as to ride the tide of the world's upward economy. Moreover, the Group enhanced its brand distribution network by further exploring new marketing channels for our proprietary brands, our global coverage increased.

Chairman's Statement

Although benefited from the higher operating efficiency at our plants in Vietnam, the increase in minimum staff salaries had pushed up our expanding on direct labor and the relevant costs, leading to higher manufacturing expenditure. However, with sound foundations and continued proceeding of cost control measures, added by the lowered cost on plastic because of oil price fall, which offset the increase in costs in other raw materials, the overall cost on raw materials remained stable. Due to change of sales mix, distribution cost on a certain category decreased. The Group further optimised its purchase strategy to relieve the impact upon our business performance by higher costs. In addition, through selling of the entire equity interests in an indirect wholly-owned subsidiary, we sold a parcel of land combined with the plants and other buildings thereon in Shenzhen, which brought us an one-off gain, leading to soar in the profits attributable to our equity shareholders. The Group will attach great importance to the selected clients with good credits that can bring us more stable profits, and examine and simplify the current cost structure and cost control measures so as to achieve better operation efficiency and stronger profitability.

In conclusion, I would like to express my deepest gratitude to all of our stakeholders, including shareholders, customers, business partners and suppliers, for their continuous support in various aspects and for their confidence in the Group all these years. My sincere appreciation also goes to the management and all our staff for their indispensable and enthusiastic contributions and their commitment to the Group.

Cheng Yung Pun
Chairman

Hong Kong, 17th March, 2016

Management Discussion and Analysis

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 an indirect 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$49,566,000) 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheng Yung Pun

Aged 64, was appointed Chairman of the Company in September 2000 and also the Chairman of the nomination committee of the Company. Mr. Cheng is responsible for the overall corporate policies and development strategies and monitoring the overall management of the Group. Mr. Cheng has in-depth knowledge and extensive experience in business operations in Greater China. Mr. Cheng has more than 35 years' extensive experience in plastic toys manufacturing, property development and investment. Mr. Cheng is also a director of Smart Forest Limited (Mr. Cheng's wholly owned company) which owns share interest in the Company. He is the father of Ms. Cheng Wing See, Nathalie and Mr. Cheng King Cheung, Executive Directors of the Company.

Mr. Arnold Edward Rubin

Aged 68, was appointed Vice Chairman and Executive Director of the Company in July 2007. He is responsible for the marketing development and assisting the Chairman in overall strategies, management and operation of the Group. Mr. Rubin has over 49 year of extensive experience in the toy industry. He is currently a member of the governance board of the International Council of Toy Industries Care Process and a member of the board of trustees of the American Toy Industry Foundation and has served as chairman of board of both the Toy Industry Association and the Toy Industry Foundation. He is the immediate past president of the International Council of Toy Industries. Mr. Rubin was induced into Toy Industry Association Hall of Fame.

Mr. Yu Sui Chuen

Aged 60, was appointed Executive Director of the Company in September 2000. Mr. Yu holds a Higher Diploma in Business Administration major in Accounting. Mr. Yu has over 35 years' experience in finance management and administration of which nearly 10 years as a member of the management committee of a listed company. Mr. Yu is currently responsible for corporate finance, legal and taxation management and internal control of the Company.

Ms. Cheng Wing See, Nathalie

Aged 42, was appointed Executive Director of the Company in September 2000. Ms. Cheng has over 12 years' extensive experience in procurement in the plastic toys field and six years' experience in sales and marketing. She is currently responsible for sales and marketing of the overseas' company. She is the daughter of Mr. Cheng Yung Pun, Chairman of the Company and the sister of Mr. Cheng King Cheung, Executive Director of the Company.

Mr. Cheng King Cheung

Aged 24, was appointed Executive Director of the Company in October 2013. Mr. Cheng holds a bachelor's degree in Government from Franklin and Marshall College in Pennsylvania, USA. Mr. Cheng joined Funrise Inc. and Funrise Toys Limited ("the companies"), indirect wholly-owned subsidiaries of the Company, since 2010. He has about six years' experience in sales and marketing of toys. He is currently a Chief Executive of the companies. He is a son of Mr. Cheng Yung Pun, the Chairman of the Company and a brother of Ms. Cheng Wing See, Nathalie, an Executive Director of the Company.

Biographies of Directors and Senior Management

Mr. Leung Hong Tai (former name known as Leung Mang Pong)

Aged 59, was appointed Executive Director in November 2009. He holds a Bachelor of Science Degree in Electronics and a Master of Science Degree in Digital Communication from University of Kent, England. He is a full member of Hong Kong Computer Society. He has over 26 years' experience in electronic and computing related subjects such as electronic hardware design, electronic printed circuit board development and production, LED and semi-conductor assembling machinery, information system development and implementation, computer networking, information security, equipment dimensioning and communication. His experience ranges from design, development to production of the electronic or toy related products. He joined the Group in 2003 and is currently responsible for the electronic design, development and production of the electronic related products.

Mr. Tse Kam Wah

Aged 65, was appointed Executive Director of the Company in November 2009. Mr. Tse obtained a higher certificate in mechanical engineering from The Hong Kong Polytechnic University. He has over 28 years' experience in toy factory and production management. His experience ranges from managing all manufacturing activities of the corporations in the base outside Hong Kong, monitoring manufacturing process to product development. He has joined the Group over 17 years and is currently responsible for for production management.

Mr. Tsang Chung Wa

Aged 52, was appointed as Executive Director of the Company in January 2011. He holds a Diploma in Management Studies awarded jointly by The Hong Kong Management Association and The Hong Kong Polytechnic University. He has over 27 years' experience in the operation, sales and production management of toy industry. His experience ranges from managing marketing activities of the corporations in the base outside Hong Kong to business development. He joined the Group over 15 years and is currently responsible for the marketing management and the related business management works.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Loke Yu alias Loke Hoi Lam

Aged 66, is an Independent Non-executive Director of the Company. He was appointed as an Independent Non-executive director in September 2004. He also serves as the Chairman of the audit committee, the remuneration committee and a member of the nomination committee of the Company. Dr. Loke has over 40 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and Hong Kong Institute of Chartered Secretaries.

Biographies of Directors and Senior Management

He is currently the company secretary of Minth Group Limited and serves as an independent non-executive Director of the following companies whose shares are listed on The Stock Exchange of Hong Kong Limited: V1 Group Limited (formerly known as Vodone Limited), China Beidahuang Industry Group Holdings Limited (formerly known as Sino Distillery Group Limited and Bio-Dynamic Group Limited), China Fire Safety Enterprise Group Limited, Winfair Investment Company Limited, SCUD Group Limited, Zhong An Real Estate Limited, Chiho-Tiande Group Limited, Tianjin Development Holdings Limited, China Household Holdings Limited, Mega Medical Technology Limited (formerly known as Wing Tai Investment Holdings Limited and Wing Lee Holdings Limited), Tianhe Chemicals Group Limited and China New Energy Power Group Limited.

Mr. Mak Shiu Chung, Godfrey

Aged 53, was appointed Independent Non-executive Director in May 2000 and is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Mak holds a Bachelor of Science degree in business studies from Bradford University School of Management, United Kingdom and a Master of Business Administration degree from the University of Wales, United Kingdom. He is a Member of the Hong Kong Securities Institute; a Member of The Chartered Institute of Marketing and an Associate of The Institute of Chartered Secretaries and Administrators. Mr. Mak has resigned as the Co-Chairman and executive Director of DeTeam Company Limited, a company listed on the Stock Exchange with effect from 5th February, 2015. Mr. Mak has over 25 years of experiences in the field of corporate finance.

Mr. Wan Hing Pui

Aged 85, was appointed Independent Non-executive Director in September 2004 and is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Wan has over 57 years of experiences in auditing, taxation and financial management consultancy services. He is an Associate Member of The Institute of Chartered Accountants in England and Wales and a Fellow of Hong Kong Institute of Certified Public Accountants. He is a sole proprietor of H.P. Wan & Co., a firm of Certified Public Accountants (Practising).

Mr. Heng Victor Ja Wei

Aged 38, was appointed as an Independent Non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company in December 2012. He is a partner of Morison Heng, Certified Public Accountants. Mr. Heng holds a Master of Science degree of the Imperial College of Science, Technology and Medicine, the University of London. He is a member of and holds a Certified Public Accountant (Practising) certificate issued by The Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants. He serves as an independent non-executive director of China Fire Safety Enterprise Group Limited, Lee & Man Handbags Holding Limited and Lee & Man Chemical Company Limited and as Company Secretary of China Life Insurance Company Limited, whose shares are listed on the main board of the Stock Exchange.

CHIEF EXECUTIVE OFFICER

Mr. Chen Wei Qing

Aged 48, was appointed as Chief Executive Officer of the Company in May 2008. Mr. Chen is responsible for product development and manufacturing operations of the Group. He has above 27 years' extensive experience in product development and toys manufacturing.

Corporate Governance Report

The board of directors (the "Board") of Matrix Holdings Limited (the "Company") has adopted the Company's corporate governance code (the "CG Code") to reflect the recent amendments on Appendix 14 (the "HKEx Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Continuous efforts are made to review, apply and enhance the Group's procedures in light of changes in regulations and developments in best practices. Following sustained development of the Company, the Board and its executive management will continue to monitor the governance policies to ensure that such policies meet the general rules and standards. The Board is pleased to report compliance with the CG Code under the HKEx Code during the year ended 2015, except where otherwise stated in section "Report of the Directors".

A. DIRECTORS

1. The Board

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

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

As at 31st December, 2015, at least one-third of the Company's board are Independent Non-executive Directors ("INED") of which the Board comprises eight executive directors, namely Mr. Cheng Yung Pun (Chairman), Mr. Arnold Edward Rubin (Vice-Chairman), 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 and four INEDs, namely Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei (collectively the "Directors"). The INEDs required under Rule 3.10(1) of the Listing Rules who represent one third of the Board and include three with appropriate professional qualifications and accounting and related financial expertise required under Rule 3.10(2) of the Listing Rules.

Corporate Governance Report

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

The Directors who are subject to retirement and re-election at the 2016 Annual General Meeting are set out on page 38 of this Annual Report. The independence of the INED has been assessed in accordance with the applicable Listing Rules as each of the INED has provided an annual written confirmation of independence pursuant to the Listing Rules 3.13.

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

The Directors' biographical details are listed in the section of "Biographies of Directors and Senior Management" in this report. Save as i) Ms. Cheng Wing See, Nathalie is the daughter of Mr. Cheng Yung Pun and the sister of Mr. Cheng King Cheung; and ii) Mr. Cheng King Cheung is a son of Mr. Cheng Yung Pun and a brother of Ms. Cheng Wing See, Nathalie, there is no financial, business, family or other material/relevant relationship between the Directors. The INEDs are expressly identified in all of the Company's publication such as circular, announcement or relevant corporate communications in which the names of Directors of the Company are disclosed. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations.

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

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

3. Board Meetings and Access of Information

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

During the year under review, the Board held eleven board meetings (including some meetings held by video or telephone conference) in which Mr. Yu Sui Chuen, Mr. Leung Hong Tai, Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey and Mr. Heng Victor Ja Wei had attended all the board meetings; Ms. Cheng Wing See, Nathalie and Mr. Cheng King Cheung had attended ten board meetings; Mr. Cheng Yung Pun, Mr. Tse Kam Wah and Mr. Wan Hing Pui had attended nine board meetings; Mr. Tsang Chung Wa and Mr. Arnold Edward Rubin had attended eight board meetings.

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

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

Corporate Governance Report

4. 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 Appendix 10 to the Listing Rules (the "Model Code").

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

5. Directors' Continuous Training and Development Programme

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

During the year ended 31st December, 2015, all Directors of the Company namely, 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, Mr. Tse Kam Wah, Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei received regular updates on the Group's business, operations and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. They also attended regulatory update sessions on relevant topics. All Directors are requested to provide the Company with their respective training record pursuant to the CG Code.

B. DIRECTORS' REMUNERATION

1. Remuneration Committee ("RC")

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

Membership and attendance:

The RC comprises Dr. Loke Yu alias Loke Hoi Lam as chairman, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei. For the year ended 31st December, 2015, all members of the RC had attended the RC meeting.

Work done during the year

- reviewed its remuneration policy for Directors and senior management;
- reviewed the remuneration packages of executive Directors and senior management for the year 2015; and
- recommended to the Board the executive Directors' fees for the year ended 31st December, 2015 for proposing to shareholders for approval.

2. Level and Make-up of Remuneration

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

Details of the remuneration of the Directors for the year ended 31st December, 2015 are provided in note 10 to the Consolidated Financial Statements in this annual report.

C. DIRECTORS' NOMINATION

1. Nomination Committee ("NC")

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

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

Membership and attendance:

The NC comprises Mr. Cheng Yung Pun as chairman, Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei. For the year ended 31st December, 2015, all members of NC had attended the meeting.

Work done during the year

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

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

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

- reviewed and assessed the composition of the Board.

2. Implementation of Board Diversity policy

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

- The NC will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommended them to the Board for adoption. It will also review annually the progress on achieving those objectives. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

D. ACCOUNTABILITY AND AUDIT

1. Audit Committee ("AC")

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

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

Membership and attendance:

The AC comprises Dr. Loke Yu alias Loke Hoi Lam as chairman, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei. For the year ended 31st December, 2015, all members had attended all the meetings. The finance director and the group financial controller are normal attendees of the AC meetings. Where appropriate, representatives of the external auditors are invited to attend the AC meetings to present significant audit and accounting matters which they noted in the course of their audit.

Work done during the year

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

2. Financial Reporting

The financial statements of the Company for the year ended 31st December, 2015 have been reviewed by the AC and audited by the external auditor, Messrs. PricewaterhouseCoopers. The Directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

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

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

A statement of the auditor about their reporting responsibilities is included in the Independent Auditor's Report on pages 46 and 47 of this annual report.

3. Internal Control

The Board and Audit Committee have conducted a review of its risk management and internal control systems on (a) whether the Company has an internal audit function; (b) how often the risk management and internal control systems are reviewed, and where the Company has not conducted a review during the year, an explanation why not; and (c) a statement that a review of the effectiveness of the risk management and internal control systems has been conducted and whether the Company considers them effective and adequate. They also reviewed the effectiveness of the system of internal control of the Group including the relevant financial, operational and compliance controls and risk management procedures and has delegated to the management the implementation of such systems of internal controls. The Group's chief financial executive with accounting qualification and experienced finance director serve the Board in the Group to overseeing the Group's financial reporting procedure internal controls and compliance with the accounting-related requirements under the Listing Rules. Notwithstanding, the Board considers the adequacy of resources, qualifications and experience of staff of the Company's accounting and financing reporting function and their training programmes and budget.

An Internal Control Committee comprises members of the management which was established for conducting a review of the internal control of the Group which cover the material controls including financial, operational and compliance controls and risk management functions. Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication etc. Also, an internal audit function team was established in responsible for review the internal audit and risk management of the Company's and its subsidiaries. The management throughout the Group maintains and monitors the internal control system on an ongoing basis.

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

4. Auditors' Remuneration

During the year under review, the fees paid or payable to the auditor of the Company, Messrs. PricewaterhouseCoopers, Hong Kong, were approximately HK$2,384,000 and HK$350,000 for statutory audit services rendered and non-audit services rendered (including disbursement fees) to the Group respectively.

Remuneration paid to other auditors for audit and non-audit services rendered to overseas subsidiaries was approximately HK$2,797,000.

E. CORPORATE GOVERNANCE FUNCTIONS

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

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

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

- reviewed the corporate governance duties under the HKEx Code;
- amendment of the CG Code and the Company's own code for securities transactions by directors of listed issuers as the code of conduct governing directors' securities modeled on the Model Code under the Listing Rules; and
- review the compliance with the HKEx Code.

F. INVESTOR RELATIONS

1. Communication with investors

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

During the year under review, there are no changes to the Company's bye-laws.

2. Annual General Meeting ("AGM")

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

Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors particularly the INED – Mr. Wan Hing Pui (to be re-elected at the 2016 AGM) as he is being an INED for more than 9 years.

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

All directors (except Mr. Arnold Edward Rubin, Mr. Cheng King Cheung and Mr. Tsang Chung Wa (the executive Directors)) had attended the 2015 AGM of the Company held on 13th May, 2015.

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

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

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

ii) Make Enquiries:

In accordance with the Company's Shareholders' Communication Policy, the Shareholders direct their questions about their shareholdings to the Company's Branch Share Registrar in Hong Kong, Trior Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Branch Share Registrar") or the Customer Service Hotline of the Branch Share Registrar at (852) 2980-1333 from 9:00 a.m. to 5:00 p.m. Monday to Friday (excluding Hong Kong public holidays) or by email at matrix1005-ecom@hk.tricorglobal.com.

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

iii) Put forward proposals:

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

Report of the Directors

The Directors of the Company have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company for the year ended 31st December, 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are manufacturing and trading of toys and lighting products. The activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 82.1% of the Group's turnover, with the largest customer accounted for approximately 39.1%. The aggregate purchases attributable to the Group's five largest suppliers were approximately 39.3% of total purchases of the Group, with the largest supplier accounted for approximately 15.5%.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2015 are set out in the consolidated statement of comprehensive income on page 48.

During the year, the Company has paid 2014 final dividend of HK6 cents per share and the Directors have declared 2015 interim dividend of HK4 cents per share. Both 2014 final dividend and 2015 interim dividend were paid by cash. The total cash dividend paid during the year was approximately HK$75,620,000.

The Directors now recommend the payment of a final dividend and special dividend of HK7 cents per share and HK6 cents per share respectively, totally HK13 cents per share, amounting to approximately HK$98,306,000, to the shareholders on the register of members on 11th May, 2016 payable in cash. The remaining retained profits in the Company amounted to approximately HK$45,178,000.

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December, 2015 are set out in note 21 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DISTRIBUTION RESERVES

Distribution reserves of the Company at 31st December, 2015, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK$143,484,000 (2014: HK$198,854,000).

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

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

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

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

DEBENTURES/EQUITY LINKED AGREEMENTS

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 112.

DIRECTORS

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

Executive Directors:

Cheng Yung Pun *(Chairman)*
Arnold Edward Rubin *(Vice Chairman)*
Cheng Wing See, Nathalie
Cheng King Cheung
Leung Hong Tai
Tsang Chung Wa
Tse Kam Wah
Yu Sui Chuen

Independent non-executive Directors:

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

OTHER INFORMATION OF DIRECTORS

In the last three years, Dr. Loke Yu alias Loke Hoi Lam, independent non-executive Director ("INED") of the Company, was appointed as INED of Tianjin Development Holdings Limited (a company listed on the Stock Exchange) with effect from 21st December, 2012, INED of China Household Holdings Limited (a company listed on the Stock Exchange) with effect from 9th August, 2013, INED of Mega Medical Technology Limited (formerly known as Wing Tai Investment Holdings Limited and Wing Lee Holdings Limited and a company listed on the Stock Exchange) with effect from 20th June, 2014, INED of Tianhe Chemicals Group Limited (a company listed on the Stock Exchange) with effect from 20th June, 2014, and INED of China New Energy Power Group Limited (a company listed on the Stock Exchange) with effect from 28th July, 2015.

In addition, in the last three years, Mr. Heng Victor Ja Wei, INED of the Company, was appointed as Company Secretary of China Life Insurance Company Limited (a company listed on the Stock Exchange) with effect from 25th April, 2013 and Mr. Mak Shiu Chung, Godfrey, INED of the Company, resigned as the Co-Chairman and executive Director of DeTeam Company Limited, (a company listed on the Stock Exchange) with effect from 5th February, 2015.

The Director's emoluments (including any sum receivable as Director's fee or remuneration) per month (13 months basis) of Mr. Yu Sui Chuen, Mr. Leung Hong Tai, Mr. Tsang Chung Wa, Mr. Tse Kam Wah and Mr. Chen Wei Qing (Chief Executive of the Company) had been adjusted to HK$122,000, HK$113,000, HK$91,000, HK$113,000 and HK$105,000, respectively, with effect from 1st January, 2015. The monthly emolument of Mr. Cheng King Cheung, Director of the Company, was adjusted to HK$104,000 for the period from 1st January, 2015 to 30th April, 2015 and was further adjusted to HK$153,000, with effect from 1st May, 2015.

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

OTHER INFORMATION OF DIRECTORS (Continued)

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the twelve (2014: twelve) Directors and one (2014: one) chief executive are as follows:

Name	Fees HK$'000	Salary HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors				
Cheng Yung Pun	–	1,118	–	1,118
Yu Sui Chuen	–	1,587	63	1,650
Cheng Wing See, Nathalie	–	695	18	713
Arnold Edward Rubin	–	5,008	103	5,111
Tse Kam Wah	–	1,475	18	1,493
Leung Hong Tai	–	1,474	18	1,492
Tsang Chung Wa	–	1,180	18	1,198
Cheng King Cheung	–	1,566	59	1,625
Independent non-executive Directors				
Loke Yu alias Loke Hoi Lam	85	–	–	85
Mak Shiu Chung, Godfrey	85	–	–	85
Wan Hing Pui	85	–	–	85
Heng Ja Wei, Victor	85	–	–	85
Chief Executive				
Chen Wei Qing ("Mr. Chen")	–	1,364	18	1,382
	340	15,467	315	16,122

DIRECTORS' SERVICE CONTRACTS

In accordance with the clause 99 of the Bye-laws of the Company, Mr. Arnold Edward Rubin, Mr. Tsang Chung Wa, Mr. Heng Victor Ja Wei and Mr. Wan Hing Pui, retire and, being eligible, offers themselves for re-election at the forthcoming annual general meeting. Separate resolution will be proposed at 2016 annual general meeting for the re-election of Mr. Wan Hing Pui as being an INED for more than 9 years.

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

Employment agreement was entered into between the indirect wholly-owned subsidiary of the Company and Mr. Arnold Edward Rubin (executive Director and vice chairman of the Company) continuing for a period of three years after the effective date for his being the president of the subsidiary. Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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

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

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

Details of related party transactions during the year are set out in note 31 to the consolidated financial statements.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

As at 31st December, 2015, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK$0.10 each of the Company

Name of Director/ chief executive officer		Personal Interests	Family Interests *(Note 2)*	Corporate Interests *(Note 1)*	Other Interests	Total	% of the issued share capital of the Company
Cheng Yung Pun *(Director)*	Long position	–	–	539,003,569	–	539,003,569	71.28%
Arnold Edward Rubin *(Director)*	Long position	72,000	–	–	–	72,000	0.01%
Cheng Wing See, Nathalie *(Director)*	Long position	723,230	–	–	–	723,230	0.10%
Cheng King Cheung *(Director)*	Long position	1,868,000	–	–	–	1,868,000	0.25%
Leung Hong Tai *(Director)*	Long position	4,594,000	1,508,000	–	–	6,102,000	0.81%
Tsang Chung Wa *(Director)*	Long position	4,108,251	–	–	–	4,108,251	0.54%
Tse Kam Wah *(Director)*	Long position	4,200,000	–	–	–	4,200,000	0.56%
Yu Sui Chuen *(Director)*	Long position	440,000	–	–	–	440,000	0.06%
Chen Wei Qing *(Chief Executive Officer)*	Long position	3,980,000	–	–	–	3,980,000	0.53%

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

Long Positions in Ordinary Shares of the Company (Continued)

Ordinary Shares of HK$0.10 each of the Company (Continued)

Notes:

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

(2) Shares are held by Ip Yi Mei, spouse of Mr. Leung Hong Tai, Director of the Company.

Share Option

During the year ended 31st December, 2014, the options carry rights to subscribe for a total of 100,000 shares were exercised on 28th January, 2014, 200,000 shares were exercised on 3rd June, 2014, 88,000 shares were exercised on 13th June, 2014, and 88,000 shares were exercised on 18th July, 2014. During the year ended 31st December, 2015, no options were exercised.

Particulars of the Company's 2012 Share Option Scheme are set out in Note 22 to the consolidated financial statements. There was no option granted during the year ended 31st December, 2015 and 2014.

Other than disclosed above, none of the Directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company any specified or undertaking of the Company or any other associate corporation as at 31st December, 2015.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest *(Note 1)*	Beneficial owner	539,003,569	71.28%

Notes:

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2015.

SHARE OPTION SCHEME

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

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

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

(iii) As at 31st December, 2015, the total number of Shares available for issue of option under the 2012 Share Option Scheme was 71,864,731 shares which representing 9.5% of the issued share capital of the Company (after the enlarged issued share capital in 756,203,313 shares under the issue of 476,000 shares in respect of exercise of share option during the period from January to July 2014);

SHARE OPTION SCHEME (Continued)

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

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

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

SHARE OPTION SCHEME (Continued)

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

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

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

Particulars of the Scheme are set out in note 22 to the consolidated financial statements.

During the year under review, no options carry rights to subscribe for shares had been exercised.

As at 31st December, 2015 as at the latest practicable date prior to the issue of the annual report, no options have been granted and remained outstanding carry rights to subscribe (31st December, 2014: nil share). Options may be exercised at any time from for the period beginning 90 days after the date of grant of the option and ending three years thereafter. Save as disclosed above, no share options are granted, exercised, cancelled or lapsed during the year.

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

EMOLUMENT POLICY

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

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

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

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.

SUFFICIENCY OF PUBLIC FLOAT

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

OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

With regard to the renewed facilities of up to an aggregate extent of HK$50,000,000 previously granted to two indirect wholly-owned subsidiaries of the Company by a Bank in Macau (the "Bank-MO"), the renewed facility letters were provided by the Bank-MO on 25th January, 2016 regarding the renewal of the facilities for one year further (the "renewed facilities"). The terms and conditions of the facility letters for the renewed facilities including, inter alia, a condition to the effect that Mr. Cheng Yung Pun (a controlling shareholder of the Company) should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company, remain unchanged. A breach of the above condition will constitute an event of default under the renewed facilities. If any significant change on the above condition occurs, the Bank-MO can request to adjust or terminate the renewed facilities.

The old facility regarding the facilities of up to an aggregate extent of HK$45,000,000 (the "old facility") previously granted to the two indirect wholly-owned subsidiaries of the Company by a Bank in Hong Kong (the "Bank-HK") was extended to one more indirect wholly-owned subsidiary of the Company and the aggregated amount was revised to not exceeding HK$70,000,000 provided by the Bank-HK, effective on 13th October, 2014 (this "revised facilities" are subject to annual review). The Company has received two facility letters in which the terms and conditions of one of the facility letters included, inter alia, a condition to the effect that Mr. Cheng Yung Pun (a controlling shareholder of the Company) should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company. If a breach of the above condition that will constitute an event of default under the revised facilities, the Bank-HK will discuss for remedy actions including obtaining waiver for the breach or seeking for any viable solutions or alternatives. Nevertheless, the revised facilities will be uncommitted lines and the Bank reserves the right to request repayment on demand.

AUDITOR

At the Annual General Meeting of the Company held on 8th May, 2013, Messrs. Deloitte Touche Tohmatsu retired as the auditor of the Company and Messrs. PricewaterhouseCoopers, Hong Kong, was appointed as the new auditor of the Company since the financial year ended 31st December, 2013.

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 17th March, 2016

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF MATRIX HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Matrix Holdings Limited (the "Company") and its subsidiaries set out on pages 48 to 111, which comprise the consolidated statement of financial position as at 31st December, 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

TO THE SHAREHOLDERS OF MATRIX HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st December, 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th March, 2016

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	5	**1,277,063**	1,160,119
Cost of sales	8	**(806,233)**	(714,362)
Gross profit		**470,830**	445,757
Other income	6	**1,334**	3,485
Gain on disposal of a subsidiary	27(b)	**218,134**	–
Other losses	7	**(2,860)**	(5,729)
Distribution and selling costs	8	**(127,588)**	(154,411)
Administrative expenses	8	**(139,393)**	(140,450)
Research and development costs	8	**(23,235)**	(22,215)
Operating profit		**397,222**	126,437
Finance costs	9	**(280)**	(1,353)
Profit before income tax		**396,942**	125,084
Income tax expense	11	**(9,069)**	(7,186)
Profit for the year attributable to owners of the Company		**387,873**	117,898
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	13	**51**	16
Diluted earnings per share	13	**51**	16

The notes on pages 54 to 111 are an integral part of these financial statements.

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	*14*	**149,442**	187,469
Leasehold land and land use rights	*15*	**13,318**	14,685
Intangible assets	*16*	**96,822**	96,822
Deferred tax assets	*24*	**5,869**	5,465
Pledged bank deposit	*20*	**138**	–
Other non-current assets	*27(b)*	**186,000**	–
		451,589	304,441
Current assets			
Inventories	*17*	**304,147**	310,443
Trade and other receivables and prepayments	*19*	**267,906**	193,962
Tax receivable		**18**	19
Cash and cash equivalents	*20*	**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	*21*	**75,620**	75,620
Reserves	*23*	**909,285**	601,986
Total equity		**984,905**	677,606

Consolidated Statement of Financial Position

As at 31st December, 2015

	Note	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*24*	**859**	540
Bank borrowings	*26*	**69**	–
		928	540
Current liabilities			
Trade and other payables and accruals	*25*	**160,453**	152,633
Tax payables		**6,957**	21,145
Bank borrowings	*26*	**69**	25,358
		167,479	199,136
Total liabilities		**168,407**	199,676
Total equity and liabilities		**1,153,312**	877,282

The notes on pages 54 to 111 are an integral part of these financial statements.

The financial statements on pages 48 to 111 were approved by the Board of Directors on 17th March, 2016 and were signed on its behalf.

Cheng Yung Pun	**Yu Sui Chuen**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2015

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Shareholders' contribution HK$'000 *(Note 23(i))*	Share options reserve HK$'000	Other reserves HK$'000 *(Note 23(ii))*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January, 2014	75,573	187,919	20,576	12,746	(150)	(46,679)	367,302	617,287
Comprehensive income								
Profit for the year	–	–	–	–	–	–	117,898	117,898
Other comprehensive income								
Currency translation differences	–	–	–	–	–	1,640	–	1,640
Total other comprehensive income, net of tax	–	–	–	–	–	1,640	–	1,640
Total comprehensive income	–	–	–	–	–	1,640	117,898	119,538
Total contributions by and distributions to owners of the Company, recognised directly in equity								
Exercise of share options	47	1,171	–	(412)	–	–	–	806
Lapse of share options	–	–	–	(12,334)	–	–	12,334	–
Reduction of shareholders' contribution due to early settlement of loan from ultimate company	–	–	452	–	–	–	–	452
Dividends paid *(Note 12)*	–	–	–	–	–	–	(60,477)	(60,477)
	47	1,171	452	(12,746)	–	–	(48,143)	(59,219)
Balance at 31st December, 2014	75,620	189,090	21,028	–	(150)	(45,039)	437,057	677,606

The notes on pages 54 to 111 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2015

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Shareholders' contribution HK$'000 *(Note 23(i))*	Other reserves HK$'000 *(Note 23(ii))*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January, 2015	75,620	189,090	21,028	(150)	(45,039)	437,057	677,606
Comprehensive income							
Profit for the year	–	–	–	–	–	387,873	387,873
Other comprehensive income							
Currency translation differences	–	–	–	–	(4,954)	–	(4,954)
Total other comprehensive income, net of tax	–	–	–	–	(4,954)	–	(4,954)
Total comprehensive income	–	–	–	–	(4,954)	387,873	382,919
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividends paid *(Note 12)*	–	–	–	–	–	(75,620)	(75,620)
	–	–	–	–	–	(75,620)	(75,620)
Balance at 31st December, 2015	75,620	189,090	21,028	(150)	(49,993)	749,310	984,905

The notes on pages 54 to 111 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2015

	Note	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Net cash generated from operations	*27(a)*	**156,552**	160,936
Income taxes paid	*27(d)*	**(23,080)**	(19,374)
Interest paid		**(280)**	(871)
Net cash generated from operating activities		**133,192**	140,691
Cash flows from investing activities			
Interest received		**9**	10
Increase in pledged bank deposit		**(138)**	–
Proceeds from disposals of property, plant and equipment	*27(c)*	**1,076**	7
Purchases of property, plant and equipment		**(21,630)**	(32,443)
Disposal of a subsidiary	*27(b)*	**49,566**	–
Net cash generate from/(used in) investing activities		**28,883**	(32,426)
Cash flows from financing activities			
Dividends paid		**(75,620)**	(60,477)
New bank borrowings raised		**67,573**	155,666
Repayments of bank borrowings		**(92,793)**	(156,583)
Repayments of loan from ultimate holding company		**–**	(33,796)
Proceeds from exercise of share options		**–**	806
Net cash used in financing activities		**(100,840)**	(94,384)
Net increase in cash and cash equivalents		**61,235**	13,881
Cash and cash equivalents at 1st January		**68,417**	54,536
Cash and cash equivalents at 31st December	*20*	**129,652**	68,417

The notes on pages 54 to 111 are an integral part of these financial statements.

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 principal activities of the Company are investment holdings and those of its principal subsidiaries are set out in Note 32.

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.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1st January, 2016

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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 (Continued)

		Effective for accounting period beginning on or after
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.

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combination (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss (Note 2.6).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified collectively as the Executive Directors who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All other foreign exchange gains or losses are presented in the profit or loss within 'other losses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Property, plant and equipment commence depreciation from the time the assets become available for their intended use. Depreciation is calculated using the straight-line method to allocate their cost to their residual values, where appropriate, over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7). Gains and losses on disposals are determined by comparing net proceeds with carrying amount of the relevant assets and are included in the profit or loss.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of business is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

(a) Goodwill (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer base

Definite-lived intangible assets including customer base acquired in a business combination, are recognised at its fair value at the acquisition date, and are being amortised over the estimated useful lives using the straight-line method. The estimated useful lives of the intangibles are 6 years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurements

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out ("FIFO") method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.17 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

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

(b) Bonus plans

Provisions for bonus plans due wholly within 12 months after the end of the reporting period are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Pension obligations

The Group maintains a number of defined contribution plans in the countries in which it operates. The assets of the retirement benefit are generally held in separate trustees-administered funds or insurance companies. The retirement plans are generally funded by payments from employees and by the Group.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(d) Share-based compensations

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for share options of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions and excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and years of service of employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(d) Share-based compensations (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in the profit or loss.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transaction and the specifics of each arrangement.

(i) Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of related receivables is reasonably assured.

(ii) Interest income is recognised using the effective interest method.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.23 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated and the Company's statement of financial position in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's major financial instruments include trade and other receivables and prepayments, cash and cash equivalents, trade and other payables and accruals and bank borrowings.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is thus exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar ("US$") and the Vietnamese Dong ("VND"). Foreign exchange risk arises when future commercial transactions, recognised assets, liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

In the opinion of the directors, the HK$ is reasonably stable with respect to the US$ under the Linked Exchange Rate System, and accordingly, the Company does not have any significant foreign exchange risk in respect of transactions or balances as denominated in US$. Accordingly, no sensitivity analysis is performed.

At 31st December, 2015, if the VND had strengthened/weakened by 5% against the HK$, with all other variables held constant, profit for the year would have been approximately HK$7,216,000 (2014: HK$6,565,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of the VND denominated net monetary assets.

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For the year ended 31st December, 2015

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's cash flow and fair value interest rate risk primarily relates to bank balances and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Management of the Group monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

At 31st December, 2015, if interest rates on borrowings had increased/decreased within 25 basis points with all other variables held constant, the impact on post-tax profit for the year would have been an decrease/increase of HK$1,000 (2014: HK$63,000).

Management considers the fair value interest rate risk related to borrowings is insignificant.

(b) Credit risk

Credit risk mainly arises from trade and other receivables and prepayment and cash and cash equivalents included in the consolidated statement of financial position. The Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31st December, 2015, all bank balances and bank deposits were held at reputable financial institutions. Management makes periodic assessments on the recoverability of receivables and deposits, and is of the opinion that adequate provision for receivables with significant credit risk has been made.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for the addition of and upgrade on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 1 month	Between 1 to 3 months	Between 4 to 12 months	Between 1 to 2 years	Total undiscounted cash flow
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December, 2015					
Trade and other payables and accruals	**125,249**	**35,204**	**–**	**–**	**160,453**
Bank borrowings	**–**	**17**	**55**	**74**	**146**
	125,249	**35,221**	**55**	**74**	**160,599**
As at 31st December, 2014					
Trade and other payables and accruals	104,241	48,392	–	–	152,633
Bank borrowings	–	25,596	–	–	25,596
	104,241	73,988	–	–	178,229

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For the year ended 31st December, 2015

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue of new shares as well as the issue of new debts or the repayment of existing debts.

The Group also monitors capital on the basis of gearing ratio and the compliance of covenants of its borrowings. The gearing ratio is calculated as total debt divided by equity attributable to owners of the Company. Total debt is calculated as total borrowings (including bank borrowings as shown in the consolidated statement of financial position). Equity attributable to owners of the Company is "total equity", as shown in the consolidated statement of financial position.

The table below analyses the Group's capital structure as at 31st December, 2015 and 2014:

	2015 **HK$'000**	2014 HK$'000
Total borrowings	**138**	25,358
Total equity	**984,905**	677,606
Gearing ratio	**0.01%**	3.74%

The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, trade and other receivables and prepayments, the Group's financial liabilities, including trade and other payables and accruals and bank borrowings, approximate their fair values due to their short maturities.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives, residual values and depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each statement of financial position date.

(c) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment (Note 16). Other non-financial assets including property, plant and equipment and other amortisable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Current and deferred income taxes

The Group is subject to income taxes in Hong Kong, Mainland China, the United States, Vietnam and other jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such as differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimate, such differences will impact the recognition of deferred income tax assets and liabilities and taxation charges in the period in which such estimates have been changed.

(e) Consolidation of a subsidiary

In October 1999, there was a court judgement in connection with a claim made by a trade creditor. The Group's legal ownership of an indirect wholly-owned subsidiary of the Company may be affected by the court judgement. The directors of the Company, based on independent legal advice, are of the opinion that the aforesaid judgement will have no material impact on Group's control in the subsidiary. Accordingly, the subsidiary continues to be treated as an indirectly held subsidiary of the Company and this financial result of the subsidiary are included in the consolidated financial statements.

5. 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.

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For the year ended 31st December, 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segments assets and liabilities (Continued)

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major products

	2015 HK$'000	2014 HK$'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 HK$'000	2014 HK$'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.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

For the year ended 31st December, 2015, there are 2 customers (2014: 2 customers) in the United States with revenue contributing to approximately 39.1% and 28.2% (2014: 30.3% and 26.0%), respectively, of the total revenue of the Group. There is no other single customer contributing over 10% of the total revenue of the Group.

6. OTHER INCOME

	2015	2014
	HK$'000	HK$'000
Interest income on bank deposits	**9**	10
Sales of scrap materials	**1,176**	1,772
Others	**149**	1,703
	1,334	3,485

7. OTHER LOSSES

	2015	2014
	HK$'000	HK$'000
Net exchange losses	**2,860**	5,729

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8. EXPENSES BY NATURE

	2015 HK$'000	2014 HK$'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 *(Note 10)*	398,852	330,996
Depreciation of property, plant and equipment *(Note 14)*	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 *(Note 15)*	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

9. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank borrowings	**280**	871
Imputed interest expense on non-current interest-free loan from ultimate holding company	**–**	482
	280	1,353

10. EMPLOYEE BENEFIT EXPENSE

Employee benefits expense, including directors' emoluments, represents:

	2015 HK$'000	2014 HK$'000
Wages, salaries and bonuses	**384,973**	317,770
Retirement benefits – defined contribution plans	**3,131**	2,470
Staff welfare	**10,748**	10,756
	398,852	330,996

(a) Retirement benefits – defined contribution plans

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,500 per month effective from 1st June, 2014.

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

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Retirement benefits – defined contribution plans (Continued)

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

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

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

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

During the year ended 31st December, 2015, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$3,131,000 (2014: HK$2,470,000). As at 31st December, 2015, the Group was not entitled to any forfeited contributions to reduce its future contributions (2014: nil).

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and chief executive's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive for the year ended 31st December, 2015 is set out below:

Name	Fees HK$'000	Salary HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors				
Cheng Yung Pun	–	1,118	–	1,118
Yu Sui Chuen	–	1,587	63	1,650
Cheng Wing See, Nathalie	–	695	18	713
Arnold Edward Rubin	–	5,008	103	5,111
Tse Kam Wah	–	1,475	18	1,493
Leung Hong Tai	–	1,474	18	1,492
Tsang Chung Wa	–	1,180	18	1,198
Cheng King Cheung	–	1,566	59	1,625
Independent non-executive Directors				
Loke Yu alias Loke Hoi Lam	85	–	–	85
Mak Shiu Chung, Godfrey	85	–	–	85
Wan Hing Pui	85	–	–	85
Heng Ja Wei, Victor	85	–	–	85
Chief Executive				
Chen Wei Qing ("Mr. Chen") *(Note (a))*	–	1,364	18	1,382
	340	15,467	315	16,122

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For the year ended 31st December, 2015

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and chief executive's emoluments (Continued)

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive for the year ended 31st December, 2014 is set out below:

Name	Fees	Salary	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Cheng Yung Pun	–	1,105	–	1,105
Yu Sui Chuen	–	1,510	60	1,570
Cheng Wing See, Nathalie	–	687	17	704
Arnold Edward Rubin	–	5,125	101	5,226
Tse Kam Wah	–	1,256	17	1,273
Leung Hong Tai	–	1,256	17	1,273
Tsang Chung Wa	–	1,005	17	1,022
Cheng King Cheung	–	1,115	17	1,132
Independent non-executive Directors				
Loke Yu alias Loke Hoi Lam	85	–	–	85
Mak Shiu Chung, Godfrey	85	–	–	85
Wan Hing Pui	85	–	–	85
Heng Ja Wei, Victor	85	–	–	85
Chief Executive				
Chen Wei Qing ("Mr. Chen") *(Note (a))*	–	1,164	17	1,181
	340	14,223	263	14,826

Notes:

(a) Mr. Chen is the chief executive of the Group and his remuneration disclosed above represents those for services rendered by him as the chief executive.

(b) No director or chief executive waived or agreed to waive any emoluments during the years ended 31st December, 2014 and 2015.

10. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and chief executive's emoluments (Continued)

Notes: (Continued)

(c) No directors' retirement benefits were paid during the years ended 31st December, 2014 and 2015.

(d) No directors' termination benefits were paid during the years ended 31st December, 2014 and 2015.

(e) No consideration was provided to third parties for making available directors' services during the years ended 31st December, 2014 and 2015.

(f) No loans, quasi-loans and other dealings were entered into by the Company or its subsidiary undertaking during the years ended 31st December, 2014 and 2015.

(g) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2014: one) directors whose emoluments are reflected in the analysis shown above. The emoluments payable to the remaining four (2014: four) individuals during the year are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries and allowances	**8,932**	8,447
Contributions to retirement benefit schemes and MPF Scheme	**389**	373
	9,321	8,820

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10. EMPLOYEE BENEFIT EXPENSE (Continued)

(c) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	2
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
	4	4

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

11. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'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.

11. INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015 **HK$'000**	2014 HK$'000
Profit before taxation	**396,942**	125,084
Tax calculated at the applicable domestic tax rate of respective companies *(Note)*	**(25,522)**	(9,753)
Tax effects of:		
– Expenses not deductible for tax purposes	**(12,006)**	(31,939)
– Profit which are exempted from tax or under tax concessions	**28,394**	33,862
– Tax losses for which no deferred income tax assets have been recognised	**(71)**	(103)
(Under)/over-provision in prior years	**(214)**	365
Others	**350**	382
	(9,069)	(7,186)

Note: The weighted average applicable tax rate was 6.4% (2014: 7.8%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

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For the year ended 31st December, 2015

12. DIVIDENDS

The dividends paid in 2015 and 2014 were HK$75,620,000 (HK10 cents per share) and HK$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 **HK$'000**	2014 HK$'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 HK6 cents (2014: nil) per ordinary share	**45,372**	–
Total dividend proposed HK13 cents (2014: HK6 cents) per ordinary share	**98,306**	45,372

13. 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

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2014						
Cost	134,972	33,495	150,114	108,675	28,297	455,553
Accumulated depreciation and impairment	(37,268)	(20,135)	(110,060)	(70,775)	(20,593)	(258,831)
Net book amount	97,704	13,360	40,054	37,900	7,704	196,722
Year ended 31st December, 2014						
Opening net book amount	97,704	13,360	40,054	37,900	7,704	196,722
Exchange adjustments	(477)	(20)	(374)	–	(43)	(914)
Additions	576	2,754	9,485	11,122	8,506	32,443
Disposals	–	–	–	–	(7)	(7)
Depreciation	(4,811)	(3,776)	(12,891)	(15,556)	(3,741)	(40,775)
Closing net book account	92,992	12,318	36,274	33,466	12,419	187,469
At 31st December, 2014						
Cost	134,868	37,067	155,419	119,797	38,418	485,569
Accumulated depreciation and impairment	(41,876)	(24,749)	(119,145)	(86,331)	(25,999)	(298,100)
Net book amount	92,992	12,318	36,274	33,466	12,419	187,469
At 1st January, 2015						
Cost	134,868	37,067	155,419	119,797	38,418	485,569
Accumulated depreciation and impairment	(41,876)	(24,749)	(119,145)	(86,331)	(25,999)	(298,100)
Net book amount	92,992	12,318	36,274	33,466	12,419	187,469
Year ended 31st December, 2015						
Opening net book amount	92,992	12,318	36,274	33,466	12,419	187,469
Exchange adjustments	(2,385)	(54)	(1,496)	–	(178)	(4,113)
Additions	319	1,718	10,686	6,596	2,311	21,630
Disposals *(Note 27(c))*	–	(2)	(138)	–	(954)	(1,094)
Disposal of a subsidiary *(Note 27(b))*	(14,496)	–	–	–	–	(14,496)
Depreciation	(4,427)	(4,114)	(11,832)	(15,609)	(3,972)	(39,954)
Closing net book account	72,003	9,866	33,494	24,453	9,626	149,442
At 31st December, 2015						
Cost	110,431	35,251	154,127	125,656	31,033	456,498
Accumulated depreciation and impairment	(38,428)	(25,385)	(120,633)	(101,203)	(21,407)	(307,056)
Net book amount	72,003	9,866	33,494	24,453	9,626	149,442

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense is analysed as follows:

	2015 HK$'000	2014 HK$'000
Cost of sales	33,001	33,589
Distribution and selling costs	169	116
Administrative expenses	6,784	7,070
	39,954	40,775

As at 31st December, 2015, buildings of approximately HK$29,306,000 (2014: HK$30,359,000) were frozen by Zhuhai Intermediate Court and Zhongshan Intermediate Court, respectively, (the "Court") in relation to a legal claim lodged by a third party (the "Plaintiff") against a subsidiary of the Company for a breach of a distribution agreement. Pursuant to the court judgement, the subsidiary was liable to pay the Plaintiff an amount of approximately HK$5,067,000. A full legal claim provision was made by the Group in prior years and HK$4,472,000 was paid by the Group in 2011. Based on independent legal advice in prior years, the directors are of the opinion that the land and building being frozen by the Court will be released upon the settlement of all the legal claim and do not have material impact on the financial position and operations of the Group.

15. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights are analysed as follows:

	2015 HK$'000	2014 HK$'000
At 1st January	14,685	15,201
Amortisation *(Note 8)*	(497)	(516)
Disposal *(Note 27(b))*	(870)	–
At 31st December	13,318	14,685

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16. INTANGIBLE ASSETS

	Goodwill HK$'000	Customer base HK$'000	Total HK$'000
Cost			
At 1st January, 2014,			
31st December, 2014 and 2015	96,822	74,620	171,442
Accumulated amortisation and impairment			
At 1st January 2014,			
31st December, 2014 and 2015	–	74,620	74,620
Carrying amount			
At 31st December, 2014 and 2015	96,822	–	96,822

Customer base of the Group was acquired as part of a business combination in 2007. The intangible asset has finite useful life. Customer base was amortised on a straight-line basis over 6 years and amortised in full as at 31st December, 2013. Accordingly, no amortisation is included in consolidated profit or loss for the year ended 31st December, 2015 (2014: nil).

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") in the trading of toys in the United States market. The Group performs impairment tests on goodwill annually, or more frequently if there is any indication that it may be impaired, by comparing the recoverable amount to the carrying amount as at the date of statement of financial position.

The recoverable amount of the CGU was determined based on a value in use calculation. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using a zero percent growth rate. Management determined budgeted gross margin based on past performance and its expectations of the market development. The pre-tax discount rate applied to the cash flow projection is 15.7% (2014: 15.7%) and it reflects specific risks relating to the relevant operating unit. The sales growth rate applied to cash flow projection is 5% (2014: 5%). Based on the value in the calculation, there is no impairment loss on goodwill for the year ended 31st December, 2015 (2014: nil).

The recoverable amount calculated based on value in use exceeded carrying value by HK$32,345,000. If the projected cash flow for the years ending from 31st December, 2016 to 2020 assumed in the discounted cash flows analysis had been 1% lower than management's estimates at 31st December, 2015, there would not be an impact on the carrying value of goodwill. If the estimated discount rate used in determining the recoverable amounts of cash generating units had been 3% higher than management's estimates as at 31st December, 2015, there would not be an impact on the carrying value of goodwill.

17. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	84,405	73,108
Work in progress	40,266	51,086
Finished goods	179,476	186,249
	304,147	310,443

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$806,233,000 (2014: HK$714,362,000).

18. FINANCIAL INSTRUMENTS BY CATEGORY

	2015 HK$'000	2014 HK$'000
Financial assets – loans and receivables		
Trade and other receivables	244,319	176,903
Pledged bank deposit	138	–
Cash and cash equivalents	129,652	68,417
	374,109	245,320
Financial liabilities – other financial liabilities at amortised cost		
Trade and other payables and accruals	160,453	152,633
Bank borrowings	138	25,358
	160,591	177,991

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19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015 HK$'000	2014 HK$'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 carrying amount of trade and other receivables and prepayments approximate their fair values.

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 HK$'000	2014 HK$'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

As of 31st December, 2015, trade receivables of HK$190,646,000 (2014: HK$137,542,000) were fully performing.

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

As of 31st December, 2015, trade receivables of HK$38,534,000 (2014: HK$19,098,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2015	2014
	HK$'000	HK$'000
0 – 60 days	**32,732**	16,619
61 – 90 days	**1,501**	1,942
More than 90 days	**4,301**	537
	38,534	19,098

As of 31st December, 2015, trade receivables of HK$5,535,000 (2014: HK$4,690,000) were impaired. The amount of the provision was HK$5,535,000 as at 31st December, 2015 (2014: HK$4,690,000). The individually impaired trade receivables have either been placed under liquidation or in severe financial difficulties.

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

	2015	2014
	HK$'000	HK$'000
HK$	**6,725**	7,113
US$	**234,674**	166,961
Other currencies	**26,507**	19,888
	267,906	193,962

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For the year ended 31st December, 2015

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Movements in the Group's provision for impairment of trade receivables are as follows:

	2015	2014
	HK$'000	HK$'000
At 1st January	**4,690**	4,346
Provision for the year *(Note 27(a))*	**845**	344
At 31st December	**5,535**	4,690

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.

20. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	2015	2014
	HK$'000	HK$'000
Cash at bank and on hand	**129,652**	68,417
Denominated in:		
HK$	**8,229**	6,313
US$	**112,318**	56,329
Other currencies	**9,105**	5,775
	129,652	68,417

Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31st December, 2015, HK$138,000 (2014: nil) is pledged deposit held at bank as collateral for serving for term loan provided by the bank.

21. SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares HK$'000
At 1st January, 2014	755,727	75,573
Employee share option scheme:		
– Proceeds from shares issued	476	47
At 31st December, 2014 and 2015	756,203	75,620

The total authorised number of ordinary shares is 1,000 million shares (2014: 1,000 million shares) with a par value of HK$0.1 per share (2014: HK$0.1 per share). All issued shares are fully paid.

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

During the year ended 31st December, 2014, the Company issued and allotted a total of 476,000 ordinary shares at the exercise price of HK$1.692 each. The net proceeds were HK$806,000 to certain share options holders who exercised their share options. These shares issued rank pari passu with the existing shares in all respects.

22. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme (the "Scheme"), the Company may grant options to eligible persons including executives or officers, directors of the Group, full time employees, and any suppliers, consultants, agents or advisors who have contributed to the business and operation of the Group to subscribe for the shares in the Company at a price equal to the highest of (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grants; (ii) the average of the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

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22. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Options granted must be taken up not later than 28 days after the date of grant, upon payment of HK$1 per option. The period during which an option may be exercised will be determined by the Board of Directors of the Company at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares to be issued to each participant in any twelve-month period must not exceed 1% of the share capital of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in HK$ per share option	**Options (thousands)**	Average exercise price in HK$ per share option	Options (thousands)
At 1st January	–	–	1.69	14,700
Exercised	–	–	1.69	(476)
Expired	–	–	1.69	(14,224)
At 31st December	–	–	–	–

During the year ended 31st December, 2014, 476,000 shares were exercised at a weighted average price of HK$1.692 each. The related weighted average share price at the dates of exercise was HK$1.93 per share. As at 31st December, 2014 and 2015, all the share options were expired. No share options were outstanding.

There was no option granted during the years ended 31st December, 2015 and 2014.

23. RESERVES

(i) Shareholders' contribution

The shareholders' contribution represented the deemed contribution arising from the loan from ultimate holding company which is non-current and interest-free.

(ii) Other reserves

Other reserves mainly comprise statutory reserve in the PRC and Macau legal reserve.

24. DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable tax rates.

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2015 HK$'000	2014 HK$'000
Deferred tax liabilities	**859**	540
Deferred tax assets	**(5,869)**	(5,465)
	(5,010)	(4,925)

The movements in net deferred income tax (assets)/liabilities is as follows:

	Accelerated tax depreciation HK$'000	**Tax losses HK$'000**	**Allowance for doubtful debts HK$'000**	**Others HK$'000** *(Note)*	**Total HK$'000**
At 1st January, 2014	(542)	(344)	(779)	(2,666)	(4,331)
(Credit)/debit to profit or loss	(370)	–	(749)	525	(594)
At 31st December, 2014	(912)	(344)	(1,528)	(2,141)	(4,925)
(Credit)/debit to profit or loss	(359)	–	93	181	(85)
At 31st December, 2015	(1,271)	(344)	(1,435)	(1,960)	(5,010)

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

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24. DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31st December, 2015, the Group had unrecognised tax losses of HK$9,928,000 (2014: HK$23,700,000) to be carried forward against future taxable income. The tax losses may be carried forward indefinitely.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2015 **HK$'000**	2014 HK$'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 **HK$'000**	2014 HK$'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

The carrying amounts of trade and other payables and accruals approximate their fair values.

25. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

The carrying amounts of the trade and other payables and accruals are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	**50,979**	66,776
US$	**44,940**	35,477
Other currencies	**64,534**	50,380
	160,453	152,633

26. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Unsecured	**–**	25,358
Secured	**138**	–
	138	25,358

At 31st December, 2014, the Group's bank borrowings were denominated in HK$. At 31st December, 2015, the Group's bank borrowings were denominated in VND and repayable within two years. The carrying value of the bank borrowings approximated its fair value.

As at 31st December, 2015, the effective interest rate of the bank borrowings was 5.9% (2014: 5.6%) per annum.

As at 31st December, 2015, a subsidiary of the Company provided floating charge on certain of its assets including property, plant and equipment, trade receivables and inventories which approximated to HK$261,153,000 (2014: HK$336,033,000) to a bank for banking facilities with credit limit of HK$31,200,000 (2014: HK$31,200,000) granted to it.

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27. CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from operations

	2015 HK$'000	2014 HK$'000
Profit before taxation	**396,942**	125,084
Adjustments for:		
Loss on disposal of property, plant and equipment *(Note (c))*	**18**	–
Interest income	**(9)**	(10)
Interest expenses	**280**	1,353
Depreciation of property, plant and equipment *(Note 14)*	**39,954**	40,775
Amortisation of leasehold land and land use rights *(Note 15)*	**497**	516
Allowance for trade receivables *(Note 19)*	**845**	344
Gain on disposal of a subsidiary *(Note (b))*	**(220,200)**	–
	218,327	168,062
Changes in working capital		
Decrease/(increase) in inventories	**5,195**	(325)
(Increase)/decrease in trade and other receivables and prepayments	**(74,789)**	6,339
Increase/(decrease) in trade and other payables and accruals	**7,819**	(13,140)
Net cash generated from operations	**156,552**	160,936

(b) Disposal of a subsidiary

On 2nd July, 2015, Shelcore Hong Kong Limited ("SHK"), an indirect wholly-owned subsidiary of the Group which mainly held the land and building in Shenzhen, was disposed of to Shenzhen Shouxi Property Investment Development Company Limited, an independent third party. Consideration for the disposal is RMB272,000,000 (approximately HK$337,280,000), including RMB40,000,000 (approximately HK$49,566,000) cash and RMB232,000,000 (approximately HK$287,680,000) worth of residential properties to be delivered.

27. CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Disposal of a subsidiary (Continued)

Management estimated that the fair value of the residential properties to be received is RMB150,000,000 (approximately HK$186,000,000) based on the valuation performed by RHL Appraisal Ltd, an independent valuer, on the fair value of the redevelopment land of approximately RMB190,000,000 (approximately HK$235,566,000) as at disposal date less cash consideration of RMB40,000,000 (approximately HK$49,566,000).

The gain on the transaction was approximately HK$218,134,000 based on the fair value of the land of approximately HK$235,566,000 after deduction of carrying amounts of assets and liabilities of SHK and related expenses of HK$2,066,000.

The gain on disposal of a subsidiary was as follows:

	2015 **HK$'000**
Total consideration satisfied by:	
Cash consideration	**49,566**
Fair value of the residential properties to be received	**186,000**
	235,566
Less:	
Net assets disposed of:	
Property, plant and equipment *(Note 14)*	**14,496**
Leasehold land and land use rights *(Note 15)*	**870**
	15,366
Gain on disposal of interest in a subsidiary	**220,200**
Less: costs directly attributable to the disposal	**2,066**
Net gain on disposal of interests in a subsidiary	**218,134**
Net cash inflow in respect of the disposal of 100% interest in SHK	**49,566**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

27. CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) In the statement of cash flows, proceeds from sale of property, plant and equipment comprises:

	2015 HK$'000	2014 HK$'000
Net book amount *(Note 14)*	**1,094**	7
Loss on disposal of property, plant and equipment	**(18)**	–
Proceeds from disposal of property, plant and equipment	**1,076**	7

(d) During the years ended 31st December, 2015 and 2014, the tax paid comprised of the current year's tax paid and the tax paid in accordance with the settlement proposal agreed with the Hong Kong Inland Revenue Department in 2013.

28. 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.

29. CAPITAL COMMITMENTS

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

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

30. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 HK$'000	2014 HK$'000
No later than 1 year	17,819	16,656
Later than 1 year and no later than 5 years	35,899	48,997
Later than 5 years	12,268	19,941
	65,986	85,594

Operating lease payments represent rentals payable by the Group for its factory, office premises and showrooms. Leases are negotiated for a term of 8 to 20 years in respect of the factory premises and a term of 1 to 10 years for office premises, showrooms and retail shops. The rentals are fixed throughout the lease period.

31. RELATED PARTY TRANSACTIONS

The Group is controlled by Smart Forest Limited (incorporated in the British Virgin Islands ("BVI")), which owns 71.28% of the Company's shares. The remaining 28.72% of the shares are widely held. The ultimate parent of the Group is Smart Forest Limited (incorporated in BVI). The ultimate controlling party of the Group is Mr. Cheng Yung Pun.

In addition to those disclosed in the consolidated financial statements, there were no related party transactions that the Group entered into during the year.

Key management compensation

	2015 HK$'000	2014 HK$'000
Salaries and other short-term employee benefits	15,467	14,223
Post-employment benefits	315	263
	15,782	14,486

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31st December, 2014 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued/ paid-in capital	Interest held		Principal activities
			2015 indirect	2014 indirect	
Funrise Distribution Company	The United States	US$1,000 common shares	**100%**	100%	Wholesale distribution and importation of toy and sales of accessories connected with its product ranges
Funrise, Inc.	The United States	US$7,500 common shares	**100%**	100%	Wholesale distribution and importation of toy and sales of accessories connected with its product ranges
Funrise Toys Limited	Hong Kong	HK$10,000 preference shares HK$90,000 ordinary shares HK$10,000 redeemable shares	**100%**	100%	Wholesale distribution and importation of toy and sales of accessories connected with its product ranges
Keyhinge Enterprises (Macao Commercial Offshore) Company Limited	Macau	MOP100,000 quota capital	**100%**	100%	Purchase and trading of toys
Matrix Manufacturing Vietnam Company Limited	Vietnam	US$5,951,000 contributed legal capital	**100%**	100%	Manufacture of toys
Keyhinge Toys Vietnam Joint Stock Company	Vietnam	US$10,261,000 contributed legal capital	**100%**	100%	Manufacture of toys and lighting products
Associated Manufacturing Vietnam Company Limited	Vietnam	US$10,000,000 issued US$9,008,000 fully paid contributed legal capital	**100%**	100%	Manufacture of toys

Notes to the Consolidated Financial Statements
For the year ended 31st December, 2015

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Particulars of issued/ paid-in capital	Interest held 2015 indirect	Interest held 2014 indirect	Principal activities
Matrix Vinh Company Limited	Vietnam	US$4,849,000 contributed legal capital	**100%**	100%	Manufacture of toys
Matrix Resources Enterprise Limited	Hong Kong	HK$10,000 ordinary shares	**100%**	100%	Provision of management services
Mega Management Services Limited	Hong Kong	HK$10 ordinary shares	**100%**	–	Provision of management services
Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. ("MPMZ")	PRC *(note)*	US$5,910,000 registered capital	**100%**	100%	Manufacture of toys
Matrix Lighting Limited	BVI	US$10 ordinary shares	**100%**	100%	Trading of lighting products
Viribright Lighting Inc.	United States	US$10,000 shares	**100%**	100%	Trading of lighting products

Note: MPMZ is a wholly foreign owned enterprise.

The above table lists the principal subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2015

33. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**153,517**	157,541
Current assets			
Deposits and prepayments		**433**	261
Amounts due from subsidiaries		**426,718**	426,738
Cash and cash equivalents		**52**	24
		427,203	427,023
Total assets		**580,720**	584,564
Equity and liabilities			
Capital and reserves attributable to owners of the Company			
Share capital		**75,620**	75,620
Reserves	*(b)*	**352,263**	407,633
Total equity		**427,883**	483,253
LIABILITIES			
Current liabilities			
Other payables and accruals		**1,511**	3,281
Amounts due to subsidiaries		**151,326**	98,030
		152,837	101,311
Total liabilities		**152,837**	101,311
Total equity and liabilities		**580,720**	584,564

The balance sheet of the Company was approved by the Board of Directors on 17th March, 2016 and was signed on its behalf.

Cheng Yung Pun
Director

Yu Sui Chuen
Director

33. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

(b) Reserves movement of the Company

	Share capital HK$'000	Share premium HK$'000	Shareholders' contribution HK$'000 *(Note 23(i))*	Contributed surplus HK$'000	Share Option reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January, 2014	75,573	187,919	19,237	3,661	12,746	249,611	548,747
Loss and total comprehensive loss for the year	–	–	–	–	–	(6,275)	(6,275)
Exercise of share options	47	1,171	–	–	(412)	–	806
Lapse of share options	–	–	–	–	(12,334)	12,334	–
Reduction of shareholders' contribution due to early settlement of loan from ultimate holding company	–	–	452	–	–	–	452
Dividends paid *(Note 12)*	–	–	–	–	–	(60,477)	(60,477)
Balance at 31st December, 2014	75,620	189,090	19,689	3,661	–	195,193	483,253
Balance at 1st January, 2015	75,620	189,090	19,689	3,661	–	195,193	483,253
Profit and total comprehensive income for the year	–	–	–	–	–	20,250	20,250
Dividends paid *(Note 12)*	–	–	–	–	–	(75,620)	(75,620)
Balance at 31st December, 2015	75,620	189,090	19,689	3,661	–	139,823	427,883

Financial Summary

	Year ended 31st December,				
	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
RESULTS					
Turnover	882,331	880,374	1,034,079	1,160,119	**1,277,063**
Profit before taxation	56,288	33,669	83,025	125,084	**396,942**
Income tax credit/(expenses)	(300)	(3,043)	15,021	(7,186)	**(9,069)**
Profit for the year	55,988	30,626	98,046	117,898	**387,873**
Attributable to:					
The owners of the Company	55,988	30,626	98,046	117,898	**387,873**
Non-controlling interests	–	–	–	–	**–**
	55,988	30,626	98,046	117,898	**387,873**
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share					
Basic	0.08	0.04	0.13	0.16	**0.51**
Diluted	0.08	0.04	0.13	0.16	**0.51**

	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	2013 HK$'000	2014 HK$'000	**2015 HK$'000**
Total assets	798,325	853,870	877,388	877,282	**1,153,312**
Total liabilities	(293,035)	(342,705)	(260,101)	(199,676)	**(168,407)**
	505,290	511,165	617,287	677,606	**984,905**
Equity attributable to the owners of the Company	505,290	511,165	617,287	677,606	**984,905**

Note: The restatement in 2011 and 2012 is based on the management's estimation for the impact of the adoption of cost model of property, plant and equipment.

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