

MATRIX

Matrix Holdings Limited
美力時集團有限公司

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



2025

ANNUAL REPORT



MATRIX

Funrise

VIRIBRIGHT

FernHoward

Our Mission

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

Content

2	Corporate Profile
3	Corporate Information
4	Financial Highlights
6	Chairman's Statement
7	Management Discussion and Analysis
14	Biographies of Directors and Senior Management
17	Corporate Governance Report
37	Environmental, Social and Governance Report
78	Report of the Directors
86	Independent Auditor's Report
92	Consolidated Statement of Profit or Loss and Other Comprehensive Income
93	Consolidated Statement of Financial Position
95	Consolidated Statement of Changes in Equity
96	Consolidated Statement of Cash Flows
98	Notes to the Consolidated Financial Statements
184	Financial Summary

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 three plants in Vietnam. As at 31 December 2025, the Group employed approximately 2,200 staff in Hong Kong, the PRC, Vietnam, Australia, the United States of America, Canada, Mexico and Europe. The well-established toy companies in designing, manufacturing and selling plastic toys – The Shelcore and the Funrise Group, and two overseas lighting companies were merged into the Group in 2005, 2007 and 2017 respectively.



Danang City, Vietnam Third Plant

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun (*Chairman*)
Cheng King Cheung
Cheng Kin Cheong (*appointment effective
25 August 2025*)
Yip Hiu Har
Shirley Marie Price

Independent Non-executive Director

Heng Victor Ja Wei
Mak Shiu Chung, Godfrey
Chui Ka Hing

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Heng Victor Ja Wei (*Chairman*)
Mak Shiu Chung, Godfrey
Chui Ka Hing

NOMINATION COMMITTEE

Cheng Yung Pun (*Chairman*)
Yip Hiu Har
Heng Victor Ja Wei
Mak Shiu Chung, Godfrey
Chui Ka Hing

COMPANY SECRETARY

Lai Mei Fong

AUDITOR

Crowe (HK) CPA Limited
Registered Public Interest Entity Auditors
9/F, Leighton Centre,
77 Leighton Road
Causeway Bay, Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

SHARE REGISTRAR

Appleby Global corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
PO Box HM 1179, Hamilton
HM EX, Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL PLACE OF BUSINESS

Unit 01, 10/F., Railway Plaza
39 Chatham Road South
Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL BANKERS

Chong Hing Bank Limited
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)

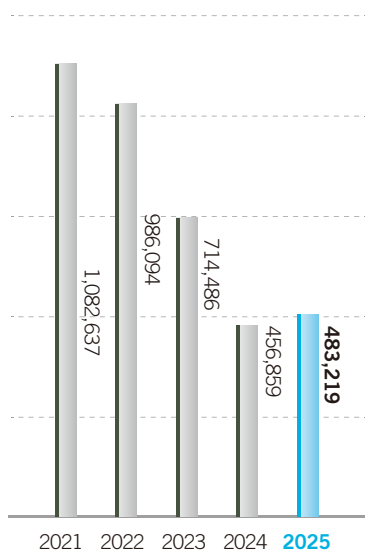
Financial Highlights

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

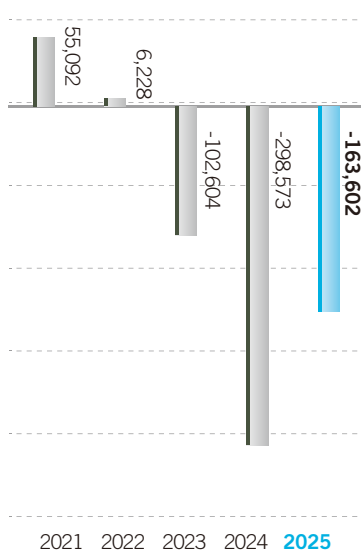
CONSOLIDATED

(HK\$'000, except where otherwise stated)	2025	2024	% Change
Revenue	483,219	456,859	+5.8%
Gross profit	131,022	152,366	-14.0%
Loss for the year attributable to owners of the Company	(163,602)	(298,573)	-45.2%
Loss per share – Basic	HK(21.6) cents	HK(39.5) cents	-45.3%
Dividend per share			
Interim, paid	HK1 cent	HK1.5 cents	-33.3%
Final, proposed	–	HK1 cent	-100%
Gross Profit Margin (%)	27.1	33.4	-18.9%
Net (Loss) Margin (%)	(33.9)	(65.4)	-48.2%
Gearing Ratio (%)	69.4	16.3	325.8%
Current Ratio	1.6	3.4	-52.9%
Quick Ratio	0.6	1.2	-50.0%

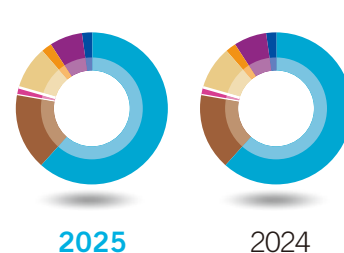
REVENUE



(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



REVENUE BREAKDOWN BY MARKET



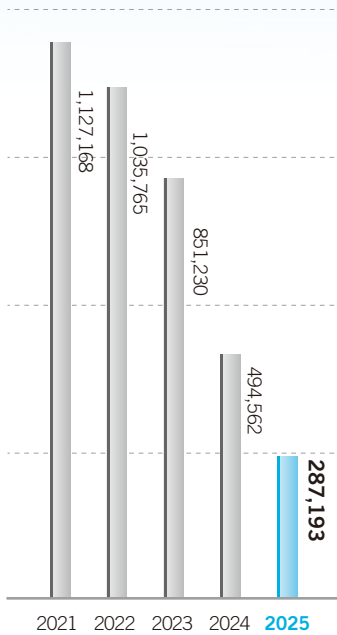
2025

2024

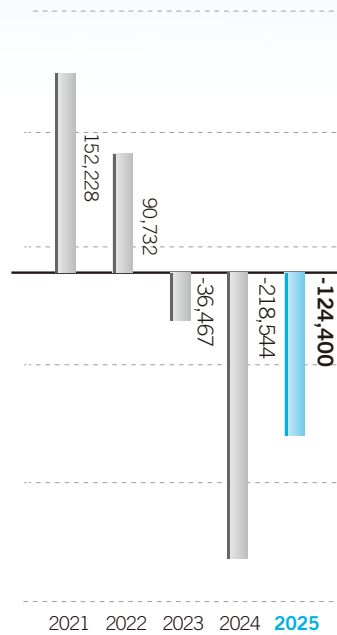
	2025	2024
United States	63.0%	61.8%
Europe	17.0%	16.1%
Canada	10.9%	9.2%
Australia	6.2%	6.4%
Mexico	1.2%	1.7%
South America	0.8%	2.3%
Others	0.9%	2.5%

Financial Highlights

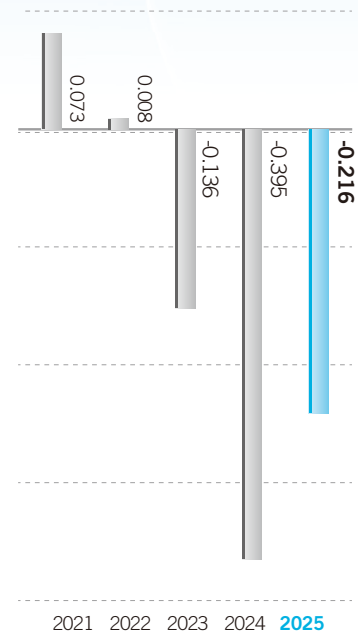
NET ASSETS



(LBITDA)/EBITDA



BASIC (LOSS)/EARNINGS PER SHARE



DEFINITIONS

Gross Profit Margin (%)	=	$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100\%$
Net Loss Margin (%)	=	$\frac{\text{Loss for the year attributable to owners of the Company}}{\text{Revenue}} \times 100\%$
Gearing Ratio (%)	=	$\frac{\text{Debt (bank and other borrowings, amounts due to directors and lease liabilities)}}{\text{Total Equity}} \times 100\%$
Current Ratio	=	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
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 31 December 2025.

For the year of 2025, the Group's consolidated revenue rose by about HK\$26,360,000, or 5.8%, to approximately HK\$483,219,000, compared with around HK\$456,859,000 in the same last year. The loss attributable to the Company's owners narrowed significantly to approximately HK\$163,602,000, an 45.2% reduction from the prior year loss of about HK\$298,573,000.

The Group's overall revenue growth was mainly driven by deeper market penetration and sustained demand in the US market. Robust sales momentum was further supported by the successful introduction of new product lines and continued enhancements to sales channels, resulting in higher sales volumes. In addition, the launch of products tailored to US consumer preferences provided an extra uplift to performance. Favorable market conditions, including stronger consumer spending in the first quarter of 2025 ahead of the US tariff implementation, also contributed positively to revenue growth. This was reinforced by accelerated customer orders placed in anticipation of the tariffs. However, the Group saw a temporary slowdown in the second quarter of 2025 as certain customers deferred orders amid uncertainties related to potential US tariffs on Vietnamese imports. Losses attributable to owners dropped significantly, largely driven by sales growth, improved operational efficiency, and stringent cost control measures. These included supply chain streamlining, discretionary spending reductions, and better absorption of fixed costs through higher revenue. Favorable foreign exchange movements, together with initiatives such as inventory optimization, production capacity upgrades, process simplification, and disciplined expense management, further strengthened the Group's overall financial performance.

In addition, Environmental, Social, and Governance ('ESG') factors play a vital role in ensuring the Group's enduring sustainability. The Board and management have seamlessly integrated principles into the Group's core mission and operations. A detailed review of our ESG achievements is available in the ESG Report on pages 37 to 77.

Lastly, sincere thanks go to all stakeholders, shareholders, customers, partners, and suppliers for their steadfast support and confidence in the Group. Appreciation is also extended to the management team and entire staff for their essential dedication and efforts driving our achievements.

Cheng Yung Pun

Chairman

Hong Kong, 30 March 2026

Management Discussion and Analysis

RESULTS

During the year of 2025 (the “year”), the Group’s consolidated revenue reported approximately HK\$483,219,000, increased by approximately HK\$26,360,000 or 5.8% as compared to approximately HK\$456,859,000 of 2024 (the “last year”). The loss attributable to the owners of the Company amounted to approximately HK\$163,602,000, representing a decrease of 45.2% as compared with the loss of approximately HK\$298,573,000 last year. The reduction in loss for 2025 was primarily driven by higher US revenue and lower in administrative and distribution expenses following the implementation of cost-control initiatives. In addition, the Group recorded a decrease in impairment loss on property, plant and equipment and intangible assets, compared with significant impairment losses recognized in last year. Tax expense also recorded a decrease in 2025 when compared to last year.

FINAL DIVIDEND

During the year, the Company paid an interim dividend of HK1 cent (2024: HK1.5 cents) in cash per share to the shareholders. The Directors have resolved not to recommend the payment of a final dividend for the year ended 31 December 2025. For the year 2025, the total dividend per share is HK1 cent (2024: HK2.5 cents).

FINANCIAL REVIEW

Revenue

Revenue for the year recorded approximately HK\$483,219,000, increased by 5.8% from last year as primarily driven by expanded market penetration and sustained demand in the US market. The successful launch of new product offerings, along with the enhancement of sales channels contributed to increased sales volumes.

Gross profit

The Group’s gross profit for the year decreased by approximately 14.0% to approximately HK\$131,022,000, which was primarily due to the increase in write-down of inventories of HK\$22,999,000, resulted in a decrease in gross profit margin to 27.1%, compared to 33.4% in last year.

Other gains and losses

Other gains and losses primarily represents the net exchange gain and gain on disposal of property, plant and equipment for the year.

Distribution and selling costs

Distribution and selling costs decreased by approximately 19.2% to approximately HK\$146,228,000 for the year. The decrease was mainly attributable to the decrease in staff salaries, advertising and royalty expenses.

Management Discussion and Analysis

Administrative expenses

Administrative expenses for the year decreased by approximately 17.3% to approximately HK\$132,441,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses.

Finance costs and income tax

Finance costs of the year increased by approximately 40.3% to approximately HK\$6,275,000 as compared to last year due to the increase in the interest of lease liabilities. Income tax expense for the year recorded approximately HK\$982,000 as compared to income tax expense of approximately HK\$22,781,000 of last year due to the decrease in deferred tax expense.

Trade and bills receivables, prepayment, deposits and other receivables

Trade and bills receivables of the year increased by approximately 12.4% to approximately HK\$87,196,000 as compared to last year, mainly attributed from the increase in sales. Prepayment, deposit and other receivables of current portion increased by approximately 14.1% to approximately HK\$22,022,000, mainly due to the outstanding consideration receivables for disposal of property, plant and equipment.

Trade payables, accruals and other payables

Trade payables of the year increased by approximately 75.7% to approximately HK\$47,462,000 as compared to last year, mainly due to the expansion of our manufacturing business. Accruals and other payables increased by approximately 7.9% to approximately HK\$83,548,000, mainly due to the increase in royalty payables.

Quick Ratio and Current Ratio

The quick ratio and current ratio of the year decreased mainly due to the increase in amounts due to directors.

Financial position and cash flows review

The Group recorded a net cash outflow from operating activities of approximately HK\$60,387,000 for the year, as compared to a net cash outflow of HK\$60,759,000 in last year.

Banking facilities and Pledge of assets

As at 31 December 2025, the Group has banking facilities of VND37,000,000,000 (equivalent to approximately HK\$10,960,000). Property, plant and equipment and inventories with a total amount VND354,347,000,000 (equivalent to approximately HK\$104,960,000) as well as equity interest of certain subsidiaries of the Group were pledged to secure the general banking facilities granted to the Group.

As at 31 December 2024, the Group's banking facilities of approximately HK\$70,000,000 was secured by corporate guarantee provided by a subsidiary of the Group and the Company.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2025, the Group had cash and bank balances of HK\$54,270,000, while total lease liabilities, amounts due to directors and other borrowings amounted to HK\$199,179,000, of which HK\$113,258,000 was classified as current liabilities. The Group also recorded a net loss of HK\$163,144,000 and net cash outflows from operating activities of HK\$60,387,000 for the year then ended. These conditions reflect liquidity challenges and indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern that required careful assessment by the directors.

In evaluating the Group's ability to continue as a going concern, the directors have considered the Group's liquidity position, performance outlook, and available financing sources for a period of at least twelve months from 31 December 2025. The assessment incorporates the following key measures:

- **Secured banking facilities:** In February 2026, the Group drew down approximately HK\$5 million under banking facilities of approximately HK\$11 million, for operational purposes. The directors intend to negotiate the renewal of these facilities upon their maturity in November 2026.
- **Operational efficiency initiatives:** The Group continues to implement cost control measures and resource optimisation strategies to reduce operating and administrative expenses, while maintaining disciplined capital expenditure. The directors have also resolved that capital expenditure will be carefully monitored and, if necessary, deferred or scaled back to preserve liquidity.
- **Revenue growth initiatives:** Revenue growth is anticipated through securing additional customer orders, supported by ongoing discussions and non-binding indications of interest from existing and prospective customers.
- **Shareholder support:** In January 2025, the Group entered into a loan agreement with Mr. Cheng Yung Pun, the major shareholder and a director of the Group pursuant to which Mr. Cheng agrees to make available to the Group and the Group agrees to borrow from Mr. Cheng at its sole discretion provide loan advances to the Group from time to time upon the request by the Group. Mr. Cheng shall have no obligation to make any advance, and each advance shall be subject to Mr. Cheng's prior consent. In March 2025, Mr. Cheng entered into another loan agreement with a subsidiary of the Group pursuant to which Mr. Cheng granted a loan facility totalling VND33,482,000,000 (equivalent to HK\$9,918,000) to the subsidiary. Up to 31 December 2025, the Group received net advances of approximately HK\$84,593,000 from Mr. Cheng, for procurement of raw materials and working capital purposes. Mr. Cheng has confirmed that he will not demand repayment of these advances until the Group has sufficient financial resources to do so without adversely impacting its business operations and ongoing viability.
- **Asset realisation strategy:** The directors have also considered the option of disposing of certain properties to generate additional working capital. Proceeds from such disposals, if executed, would be directed toward financing the Group's trade business and strengthening liquidity.

Management Discussion and Analysis

Going Concern (Continued)

The directors have reviewed cash flow projections covering at least twelve months from 31 December 2025. These projections, together with the mitigating actions outlined above, indicate that the Group would maintain sufficient working capital to fund operations and meet obligations as they fall due, assuming successful execution of the plans described.

A significant component of these forecasts is the projected increase in sales revenue, expected primarily from incremental customer orders. While management considers ongoing customer discussions a reasonable basis for this projection, it acknowledges that this involves substantial estimation uncertainty, as outcomes depend on factors beyond the Group's control, including market conditions, competitive dynamics, and customer decisions. Consequently, actual results could differ materially from those forecasted.

The directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. However, should the Group fail to implement the plans and measures described, adjustments would be required to reduce asset carrying amounts, recognise additional liabilities, and reclassify non-current items as current. These adjustments have not been reflected in the consolidated financial statements.

Management also notes that while the toy market shows signs of recovery, operations remain subject to external risks, including geopolitical tensions, exchange rate fluctuations, oil price volatility, vessel freight costs and availability, and rapid changes in tariff rates. The Group will continue to operate cautiously, with management reviewing risks regularly and reporting to the board of directors. Contingency actions, including reductions in operational and staff costs, deferral of capital expenditure, and asset disposals, will be taken if unexpected circumstances arise.

Capital Expenditure and Commitment

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$16,686,000 (31 December 2024: HK\$25,024,000) for the facilities. These capital expenditures were financed primarily by internal fund.

Assets and liabilities

At 31 December 2025, the Group had total assets of approximately HK\$637,097,000 (31 December 2024: HK\$694,161,000), total liabilities of approximately HK\$349,904,000 (31 December 2024: HK\$199,599,000) and equity attributable to owners of the Company of approximately HK\$299,998,000 (31 December 2024: HK\$507,013,000). The net assets of the Group decreased by 41.9% to approximately HK\$287,193,000 as at 31 December 2025 (31 December 2024: HK\$494,562,000).

SIGNIFICANT INVESTMENT AND ACQUISITION

There was no significant investment and acquisition for the year ended 31 December 2025.

SIGNIFICANT DISPOSAL/IMPORTANT EVENT

There was no significant disposal/important corporate event for the year ended 31 December 2025.

EXCHANGE RATE RISK

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

BUSINESS REVIEW

Manufacturing Operation

The US toy industry demonstrated improvement in 2025 compared with the previous two years, driven by higher average selling prices and increased unit volumes, particularly in premium, licensed, and collectible products linked to popular entertainment franchises. However, US administration tariffs on imports from China and Vietnam disrupted supply chains, squeezed margins, and drove up prices, though the generally low price points of most toys offered some resilience. Simultaneously, consumer spending on non-essential goods remained steady as inflation moderated. Nevertheless, slower job growth and anticipated increases in unemployment partly driven by federal workforce reductions added further strain to the labor market, constrained business planning and heightened overall uncertainty.

Despite these uncertainties, the Group recorded growth in sales of certain Original Brand Manufacturing (“OBM”) products, including “Fart Ninjas,” “Might Fleet,” and “Gazillion,” as well as Original Design Manufacturing (“ODM”) products such as “CAT” and “SpongeBob SquarePants and lighting products.” These gains helped offset declines in other OBM lines, including “Furlings,” “Burp Zombies”, “Sugar Surprise” and “Bright Fairy Friends”, and girl toy, as well as the ODM brand “Teenage Mutant Ninja Turtles.” The Group adapted effectively to evolving market dynamics through customer-focused product innovation and enhanced after-sales support, which improved customer retention and repeat purchases. Inflationary pressures eased, proactive and agile strategies helped mitigate adverse impacts and supported the operation for the year ended 31 December 2025. In particular, sales growth from the ODM brand “CAT” and “SpongeBob SquarePants” and OBM brands “Fart Ninjas” and “Gazillion” contributed significantly to this resilience.

In response to the market headwinds, the Group focused on strengthening customer loyalty in North America and Canada by refining product offerings and optimizing inventory management. It remained committed to its core brand strategies while launching marketing campaigns for key brands such as “CAT” and “Fart Ninjas.” To further broaden its product portfolio and address market challenges, the Group introduced licensed ODM products like “SpongeBob SquarePants” and OBM offerings such as “Burp Zombies.” Concurrently, the Group pursued cost control initiatives and advanced automation to improve efficiency. Despite the challenging operating environment, it maintained a disciplined and financially prudent approach.

The Group’s principal manufacturing facility is located in Vietnam. Building on its strong market position and expansion plans in the country, the Group restructured plant operations and enhanced supply chain management, resulting in lower production costs. It also strengthened competitiveness by increasing capacity and improving product quality through localized production and management practices, supported by ongoing automation advancements across its manufacturing processes.

Management Discussion and Analysis

Property Development

The Company has strategically strengthened its footprint in Vietnam by acquiring lands in Danang City through its subsidiary. This move supports the Group's broader strategy to diversify and tap into Vietnam's expanding property market. By leveraging its established presence and management expertise in the region, the Company aims to seize opportunities in property development, thereby expanding its asset portfolio and income streams.

During 2025, progress on the proposed land acquisition was delayed due to the restructuring of the Vietnam government. The Company is actively facilitating coordination between the target company and the new government agencies to fulfil the relevant requirements for obtaining the land use right certificates, and is taking appropriate actions to advance the property project forward.

After thorough evaluation of various factors in Vietnam, including market conditions and resource availability, the Group would continue pursuing property development opportunities in 2026.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group had a total of approximately 2,200 (2024: 2,200) employees mainly in Hong Kong, Macau, the PRC, Vietnam, Australia, the US and Europe. The Group provides its employees with competitive remuneration packages commensurate with the level of pay established by the market trend in comparable businesses. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

ENVIRONMENTAL PROTECTION

The Group believes that maintaining a healthy and harmonious relationship with its stakeholders and fulfilling its social responsibilities to the community is essential for building and preserving the value of the Group. Adhering to the principle of Reducing, Recycling and Reusing, the Group encourages green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances, and will consider implementing further eco-friendly measures and practices in the operation of the Group's business. Further information on other environmental protection initiatives implemented at the factories is set out in the Environmental, Social and Governance Report section of the 2025 Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges that employees, customers and business partners are crucial to its sustainable growth. The Group is hence committed to providing a friendly and caring working environment for its employees, providing excellent service to its customers and maintaining trust relationship with its business partners.

PROSPECT

Manufacturing Operation

The market is projected to maintain modest growth in 2026, driven by premium and licensed toys, technological advances, and strong media pipelines, despite ongoing tariff risks, and constrained discretionary spending. Consumer demand may polarise further between high-end and value products amid employment pressures, with tariffs posing the main risk for price volatility. Recent efforts between the countries to seek tariff resolutions with various countries have, however, helped ease some of these concerns.

The 2026 US Iran war severely disrupted global industries, including toys, through surging oil prices that spiked plastic price and diesel shipping costs, compounded by Strait of Hormuz blockades causing delays and reroutes, potentially inflating retail prices and eroding margins amid tight consumer budgets. To address global economic and geopolitical uncertainties, the Group would continue to operate cautiously and adopt a flexible strategy aimed at diversifying its product portfolio and strengthening customer engagement. It would also continue to manage financial resources and cash reserves prudently to reinforce its resilience under challenging market conditions. The Group would continue to focus on product innovation and licensed brand development. Companies that respond swiftly to evolving market dynamics are best positioned to sustain growth and competitiveness.

From a manufacturing standpoint, the Group would continue to invest in automation and process enhancements to drive efficiency and deliver long-term value to shareholders.

Property Development

Sustained growth in Southeast Asia, notably Vietnam, bolsters our confidence in regional investments. The Group is specifically capitalizing on this by investing in Vietnamese real estate.

Accordingly, the Company strategically prioritises four core pillars including production innovation, global sales expansion, operational excellence, and sustainability, to achieve sustainable growth and enduring shareholder value. This strategy is pursued through ongoing investment in research and development, deliberate international market expansion, optimised operational efficiency, and firm commitment to responsible manufacturing practices.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The auditor draws attention to note 2 to the consolidated financial statements, which indicates that as at 31 December 2025, the Group had cash and bank balances of HK\$54,270,000, while total lease liabilities, amounts due to directors and other borrowings amounted to HK\$199,179,000, of which HK\$113,258,000 was classified as current liabilities. In addition, the Group incurred a loss of HK\$163,144,000 and net cash outflows from operating activities of HK\$60,387,000 during the year ended 31 December 2025. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheng Yung Pun

Aged 74, was appointed Chairman of the Company on 8 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. He is also the director of certain subsidiaries. Mr. Cheng has in-depth knowledge and extensive experience in business operations in Greater China. Mr. Cheng has more than 45 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 Mr. Cheng King Cheung and Mr. Cheng Kin Cheong, executive directors of the Company.

Mr. Cheng King Cheung

Aged 34, was appointed Executive Director of the Company on 10 October 2013. Mr. Cheng holds a bachelor's degree in Government from Franklin and Marshall College in Pennsylvania, USA. Mr. Cheng joined Funrise Group since 2010. He is also the director of certain subsidiaries. He has about 16 years' experience in sales and marketing of toys. He is currently a Chief Executive of Funrise Group. He is a son of Mr. Cheng Yung Pun, the Chairman of the Company, and the elder brother of Mr. Cheng Kin Cheong, an Executive Director of the Company.

Mr. Cheng Kin Cheong

Aged 23, was appointed Executive Director of the Company on 25 August 2025. He graduated with First Class Honours in BSc Psychology from University College London and joined Matrix Group in 2022. He has about three years' experience in quality assurance, automation management, and strategic business development. He is currently a development manager of the group. He is a son of Mr. Cheng Yung Pun, the Chairman of the Company and the younger brother of Mr. Cheng King Cheung, an executive director of the Company.

Mr. Cheng obtained legal advice on 20 August 2025 in accordance with the requirements set out in Rule 3.09D and confirmed that he understood his obligations as a director of a listed issuer.

Ms. Yip Hiu Har

Aged 46, was appointed Executive Director of the Company on 1 April 2018 and appointed as Chief Executive Officer on 15 April 2021. She is also the director of certain subsidiaries. She holds a Bachelor of Arts degree in Language with Business from The Hong Kong Polytechnic University and a Bachelor's Degree in Law from University of London. Furthermore, she holds a Master of Corporate Governance from The Hong Kong Polytechnic University, further enhancing her expertise in leading and governing the Group with over 18 years' experience in toy industry, Ms. Yip effectively oversees the procurement, marketing and shipping operation of the Group.

Biographies of Directors and Senior Management

Ms. Shirley Marie Price

Aged 59, was appointed as Executive Director on 12 March 2024. She currently serves as the President and Chief Operating Officer of the US subsidiary of the Group, Funrise Inc. (“Funrise”) with extensive experience and influential network in the toy industry over 37 years. She started her toy industry career with Funrise in 1987, the same year Funrise was founded, and subsequently held several senior management positions in Funrise over the years. In addition to managing the operations for Funrise that goes through the entire creative process of designing and manufacturing toys, Ms. Price leads all strategic planning and business development initiatives, including licensing partnerships with major studios and brand owners.

Ms. Price has been very involved in charitable causes. For over a decade, she helped organise Funrise’s “Toy Run For Kids,” an annual toy drive that brought the largest single donation of toys to Children’s Hospital of Los Angeles. She was the founding co-chair of the Toy Industry Foundation’s Toy Bank Committee when it was created in 2004. Ms. Price has been an active member of the Toy Industry Association and was elected to the Board of Directors in February 2010 and a member of the Executive Committee in May 2012. She served on the Executive Committee from 2012 to 2016. She is also a member of Women In Toys and received the Wonder Woman In Toys Award for Manufacturing in 2011.

Ms. Price obtained legal advice on 11 March 2024 in accordance with the requirements set out in Rule 3.09D and confirmed that she understood her obligations as a director of a listed issuer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak Shiu Chung, Godfrey

Aged 63, was appointed Independent Non-executive Director on 2 May 2000 and is also a member of the audit committee, the remuneration committee and the 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 Chartered Governance Institute (formally “The Institute of Chartered Secretaries and Administrators”). Mr. Mak has over 35 years of experiences in the field of corporate finance.

Biographies of Directors and Senior Management

Mr. Heng Victor Ja Wei

Aged 48, was appointed Independent Non-executive Director on 31 December 2012. He was appointed as the Chairman of the audit committee and the remuneration committee on 17 March 2025. He also serves as a member of the nomination committee of the Company. 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 The Hong Kong Institute of Certified Public Accountants and a Fellow of The Association of Chartered Certified Accountants. He is a nephew-in-law of Dr. Loke Yu alias Loke Hoi Lam, the former Independent Non-Executive Director of the Company, who resigned on 17 March 2025.

Mr. Heng serves as an Independent Non-Executive Director of Lee & Man Chemical Company Limited (Stock Code: 0746), Veson Holdings Limited (Stock Code: 1399) and TradeGo FinTech Limited (Stock Code: 8017) and as the Company Secretary of China Life Insurance Company Limited (Stock Code: 2628), all being companies whose shares are listed on the Stock Exchange. He also serves as an Independent Non-Executive Director of Bacui Technologies International Ltd (stock code: YYB), a company listed on the Singapore Stock Exchange.

Mr. Heng resigned an independent non-executive director of Best Food Holding Company Limited (Stock Code: 1488) on 13 December 2024 whose shares are listed on the Stock Exchange.

Mr. Chui Ka Hing

Aged 61, was appointed as an Independent Non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee on 1 April 2023. He is the Finance Director of Digital Climate Group Limited, a start-up integrated financial services company focusing on impact financing and green investment. Mr. Chui holds a Bachelor's degree in Accounting from Queen's University of Belfast and Master's Degree in Business Administration (Executive) from the City University of Hong Kong. Mr. Chui is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the Institute of Chartered Accountants in England and Wales. Mr. Chui has more than 33 years of experience in banking, asset management, securities companies and financial holding companies. Mr. Chui also serves as an Independent Non-executive Director of Sino Tactful Co., Ltd. (Stock Code: 5481) which is listed on Taipei Exchange.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) of the Company is committed to upholding corporate governance standards through transparency, accountability, and independence, aiming to deliver sustainable performance and long-term shareholder value. The Company and its subsidiaries (the “Group”) recognise that a robust corporate governance structure is essential for the effective and consistent implementation of the Company’s strategies and policies across the Group and for safeguarding the long-term interests of its shareholders while benefiting other relevant stakeholders, and the communities it serves.

Corporate governance represents the framework through which the Board directs the Group’s management to deliver on these objectives. The Board is dedicated to maintaining and enhancing robust governance practices that ensure (i) satisfactory and sustainable returns to Shareholders; (ii) that overall business risk is understood and managed appropriately; (iii) the delivery of high-quality products to the satisfaction of customers; and (iv) that high standards of ethics are maintained.

CORPORATE GOVERNANCE COMPLIANCE

As the Company continues to develop, the Board and executive management will continue to monitor and review the Company’s governance policies to ensure that they remain aligned with prevailing rules and standards. The Group also keeps its policies and procedures under regular review to ensure ongoing compliance with applicable laws and regulations, industry normal practices, and global trends.

The Company has complied with the applicable code provisions of the Corporate Governance Code contained in Appendix C1 (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the financial year 2025 to its corporate governance structure and practices as described in this Corporate Governance Report (the “CG Report”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”) as the code of conduct governing securities transactions by the directors of the Company (the “Directors”). The Model Code has also been extended to the relevant employee or senior management (if applicable) who is likely to possess information.

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 Model Code throughout the year.

Corporate Governance Report

THE BOARD OF DIRECTORS

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

As at 31 December 2025, the Board comprises five executive directors and three Independent Non-executive Directors as below:

Executive directors

Mr. Cheng Yung Pun (*Chairman*), appointed as director since 8 September 2000

Mr. Cheng King Cheung, appointed as director since 10 October 2013

Mr. Cheng Kin Cheong, appointed as director since 25 August 2025

Ms. Yip Hiu Har (*Chief Executive Officer*), appointed as director since 1 April 2018

Ms. Shirley Marie Price, appointed as director since 12 March 2024

Independent non-executive directors

Mr. Heng Victor Ja Wei, appointed as director since 31 December 2012

Mr. Mak Shiu Chung, Godfrey, appointed as director since 2 May 2000

Mr. Chui Ka Hing, appointed as director since 1 April 2023

A list of updated members of the Board with name identifying their roles including the role of acting Independent Non-executive Director and functions was maintained at the website of the Company and the Hong Kong Exchange and Clearing Limited (the “HKEx”).

In accordance with the Bye-laws and the CG Code, 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. The Directors who are subject to retirement and re-election at the 2026 annual general meeting are set out on page 81 of this Annual Report.

Directors are obligated to disclose amongst others, the number and nature of offices held in public companies or organisations, along with significant external commitments, the corresponding time involved for the Board and the relationships between the Directors.

Save as Mr. Cheng Yung Pun, the chairman of the Board is the father of Mr. Cheng King Cheung and Mr. Cheng Kin Cheong, both are executive directors, Mr. Heng Victor Ja Wei is a nephew-in-law of Dr. Loke Yu alias Loke Hoi Lam (who resigned on 17 March 2025), there is no financial, business, family or other material/relevant relationship between the Directors. The Directors’ biographical details are listed in the section of “Biographies of Directors and Senior Management” in this Annual Report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. 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.

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. The CEO also help the Board to set the desired culture, act with integrity, led by example, communicate between the Board and middle management. Currently, Mr. Cheng Yung Pun is the Chairman and Ms. Yip Hiu Har is the CEO of the Company.

Independent Non-executive Directors

In compliance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed at least three Independent Non-executive Directors, representing one third of the Board. Two of them possessing appropriate professional qualifications and accounting and related financial expertise.

The Independent Non-Executive Directors shall retire with a term not more than three years in accordance with the provisions of the Company’s Bye-laws and service letter, and will be subject to rotation and re-election at the Company’s annual general meeting.

During the year, Independent Non-executive Directors have, amongst others, participating in board meetings, bringing independent judgment to issues such as strategy, policy, performance, accountability, resources, key appointments, and standards of conduct, taking the lead in addressing potential conflicts of interest, serving on audit, remuneration and nomination committee, and other governance committees (if any) if invited, and scrutinizing the Company’s performance in meeting agreed corporate goals and objectives while monitoring performance reporting reviewed and inquired about the business of the Group, and the Company’s announcements, financial reports, circulars and notices.

The Independent Non-executive Directors are expressly identified in all the Company’s publication such as circular, announcement or relevant corporate communications in which the names of Directors of the Company are disclosed.

Responsibilities and Accountabilities of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

Corporate Governance Report

Responsibilities and Accountabilities of the Board and Management (Continued)

In carrying out these functions, the Board supervises the overall management with the objective of enhancing the value of the Company and its shareholders, while delegating appropriate authority to the management of the Company and its subsidiaries for co-ordinating the daily operations, implementation of budgets and strategic plans, and organizational development necessary to execute the Board's decisions. The Board also monitors and evaluates the conduct of the Group's businesses, identifies principal risks and ensures that proper measures and control systems are in place, reviews and approves key matters such as financial results and major investments, and examines the Company's policies and practices on corporate governance.

The Board reserves its decision on all major matters relating to policy matters, strategies, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Company annually procures Directors' and Officers' liability insurance to protect Board members against claims arising from the lawful execution of their duties.

Board Independence Evaluation

As of 31 December 2025, the Board comprised eight Directors, of whom three are Independent Non-executive Directors, thereby satisfying the Listing Rules requirement that at least one-third of the Board be independent. This composition ensures these directors exercise independent judgement and has appropriate influence in Board deliberations.

To ensure independent views and input are available to the Board, the following mechanisms were established:

- (i) The Nomination Committee conducts annual assessments of each Independent Non-executive Director's independence in accordance with Rule 3.13 of the Listing Rules. Written confirmations of independence, have been received from all Independent Non-executive Directors in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules during the Year. In addition, none of the Audit Committee members have been former or current auditors of the Company;
- (ii) The Directors are able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties;
- (iii) Shareholder approval through separate resolutions for re-appointments, including long-serving Directors with an explanation of the reasons;

Board Independence Evaluation (Continued)

- (iv) The Board and Nomination Committee of the Company adhere to the nomination policy to appoint/re-appoint the Directors.
- (v) Apart from the regular Board meetings, the Board Chairman also held a meeting with the Independent Non-executive Directors yearly, which were not attended by executive Directors. This arrangement provides an open platform for the Independent Non-executive Directors to raise their independent views and concerns directly to the Chairman and to discuss major matters relating to the Group.

Directors are obliged to disclose any direct or indirect interests, including those of close associates, in Board proposals or transactions. They must abstain from voting and not be counted in the quorum for resolutions approving the proposals or transactions where a material interest exists.

During the year, the Board reviewed implementation of these mechanisms and determined that they remain effective. The Company considers that the Independent Non-executive Directors continue to be independent in compliance with those independence criteria under the said rule and are capable to effectively exercise independent judgment up to and as at the date of this report.

Board Performance Evaluation

The Board acknowledges the critical importance of conducting regular evaluations of its performance to ensure ongoing effectiveness. Beyond the continual review by the Nomination Committee regarding the Board's composition and structure, the Board has established a structured evaluation process to assess its own performance and that of individual Directors biennially, will commence in 2026. This Board evaluation process would be conducted internally through a comprehensive questionnaire completed by all members of the Board and its Committees. The objective is to enhance the effectiveness of both the Board and its Committees. The scope of the evaluation focused on the composition and diversity, as well as effectiveness of the performance, of the Board and the Board Committees.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board had established three committees namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Group's affairs. Each of these committees comprises mostly Independent Non-executive Directors who have been invited to serve as members. These committees are governed by the respective terms of reference approved by the Board. The terms of reference of these committees are posted on the websites of the Company and the Hong Kong Exchange and Clearing Limited ("HKEx") and available to shareholders upon request.

Corporate Governance Report

Remuneration Committee

During the year, the Remuneration Committee comprises Mr. Heng Victor Ja Wei as chairman (appointed as chairman on 17 March 2025 following the resignation of Dr. Loke Yu alias Loke Hoi Lam as Independent Non-executive Director and chairman of Remuneration Committee), Mr. Mak Shiu Chung, Godfrey and Mr. Chui Ka Hing. For the year ended 31 December 2025, one meeting of Remuneration Committee was held. Attendance of the members is set out on page 31 of this report.

The terms of reference of Remuneration Committee are aligned with code provision set out in the CG Code. Accordingly, given below are main duties of the Remuneration Committee including but not limited to:

- make recommendations to the Board on the Company's remuneration policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- make recommendations to the board on the remuneration packages of individual executive directors and senior management;
- make recommendations to the Board on the remuneration of non-executive director; and
- ensure that no director or any of his associates is involved in deciding his own remuneration.

Detailed terms of reference of the Remuneration Committee are accessible on the website of the Company and the HKEx.

The Remuneration Committee performed the following work done during the year:–

- reviewed and determined the remuneration policy for Directors and senior management;
- assessed performance of directors and approved the terms of directors' service letter; and
- reviewed the remuneration packages of executive Directors and/or senior management for the year 2025 and ensured that no Directors and executives can determine his own remuneration.

Director Remuneration and Remuneration Policy

The remuneration policy establishes the fundamental principles and framework for determining Directors' 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. The Group's remuneration policy for Directors and/or senior management is designed to align with individual performance, length of service and professional experience. This policy is periodically reviewed to ensure consistency with current market and industry practices.

Details of the remuneration of the Directors for the year ended 31 December 2025 are provided on page 81 and pages 154 and 155 in Note 14 to the Consolidated Financial Statements in this annual report.

Nomination Committee

During the year, the Nomination Committee consisted of two Executive Directors and three Independent Non-executive Directors with Mr. Cheng Yung Pun, the Executive Director, as the chairman. Other members are Ms. Yip Hiu Har, the Executive Director, and Mr. Heng Victor Ja Wei, Mr. Mak Shiu Chung, Godfrey and Mr. Chui Ka Hing, the Independent Non-Executive Directors. Dr. Loke Yu alias Loke Hoi Lam, a former member of Nomination committee and Independent Non-Executive Director resigned as a member of Nomination Committee on 17 March 2025. The Company has also complied with Code Provision B.3.5 of the CG Code that at least one member of a different gender. For the year ended 31 December 2025, two meetings were held. Attendance of the members is set out on page 31 of this report.

Nomination Committee (Continued)

The terms of reference of Nomination Committee are aligned with code provision set out in the CG Code. Accordingly, given below are main duties of the Nomination Committee, including but not limited to:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, assist the Board in maintaining a board skills matrix, 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, having due regard to the policy for nomination of Directors (the "Nomination Policy") and the board diversity policy of the Company (the "Board Diversity Policy");
- assess the independence of Independent Non-executive Directors;
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Deputy Chairman of the Board who performs the function of chief executive;
- support the Company's regular evaluation of the Board's performance;
- assess each Director's time commitment and contribution to the Board, as well as the Director's ability to discharge his or her responsibilities effectively;
- review the Nomination Policy, as appropriate, and to make recommendations to the Board for approval on any proposed revisions thereof; and
- review and update, if required, the Board Diversity Policy on an annual basis and to make recommendations to the Board for review and approval.

Detailed terms of reference of the Nomination Committee are accessible on the website of the Company and the HKEx.

The Nomination Committee performed the following work during the year:

- identified suitable candidate and made recommendation to the board on the appointment of new director;
- 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 Independent Non-executive Directors of the Company and confirmed that all Independent Non-executive Directors 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;
- reviewed and assessed the composition of the Board; and
- reviewed the existing Nomination Policy and concluded amendments were in light of updates to the Corporate Governance Code.

Nomination Policy

The overriding objective of the Nomination Policy is to ensure the Company appoints the most suitable individuals to the Board or re-elect as director, thereby supporting its continued success. It sets out clear principles and procedures for identifying and selecting potential directors in a transparent and fair manner.

When appointing new Directors, the Company is encouraged to consider a wide range of high-calibre candidates, sourced from within or beyond the Board's existing network. This includes internal promotions from senior or middle management, as well as external assistance such as referrals, headhunters, or open recruitment, all in alignment with the board diversity policy (the 'Board Diversity Policy') and its selection criteria.

When recommending any potential new members or re-appointment of existing board members, the Nomination Committee shall make evaluation based on i) Board Diversity Policy factors such as gender, age, cultural, educational background, skills, knowledge, industry or professional experience, business perspectives, and shareholders' interests; ii) relevant accomplishments such as experience, qualifications, potential Board contributions (including competence, leadership, work experience, independence, diversity, and professional ethics); iii) commitment such as time and attention to the Company's affairs; iv) reviewing retiring Directors' contributions relative to selection criteria and diversity policy and iv) regulatory compliance such as listing Rules independence criteria for Independent Non-executive Directors; and v) any other factors as the Nomination Committee.

The Nomination Committee assesses candidates' merits and recommends suitable appointees (or re-election) to the Board in accordance with the Bye-laws. It shall report its recommendations in writing to the Board within a reasonable time unless restricted by legal or regulatory constraints. The Board then makes the final decision on appointments of directors, or determines whether to propose the re-election of directors at the AGM (if applicable), ensures compliance with Listing Rules disclosure obligations with assistance of the Company Secretary, and supports ongoing Board performance evaluations.

Board Diversity Policy

The Company has devised a policy on Board diversity to ensure adequate diversity in its Board. It believes diversity is important to enhance the Board's effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance.

Policy Statement

The Company recognises and embraces the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Board Diversity Policy (Continued)

Measurable Objectives

The Company will continue to monitor and develop new objectives for implementing and achieving improved diversity on the Board as and when it considers appropriate with regard to the specific needs of the Company and the market from time to time. In reviewing and assessing the Board's composition and the nomination of directors (as applicable), Board diversity shall be considered based on a number of criteria, including but not limited to, gender, age, cultural and educational background, professional knowledge and experience, industry knowledge and experience, technical skills and management experience.

The Board Diversity Policy concerning diversity of the board includes a mechanism on how Nomination Committee oversees the conduct of the annual review of the effectiveness of the Board.

The Nomination Committee 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. Such as, the Nomination Committee is encouraged to: (a) be more transparency on the considerations for diversity, including gender, during the nomination process of directors; (b) express the Nomination Committee or the Company's commitment to diversity on the Board at all levels, including gender, age, culture and educational background, or professional experience; (c) assess annually on the Company's diversity profile including gender balance of the directors and senior management and the employees, and its progress in achieving its diversity objectives; (d) at any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

The Current Composition and skills of the Board

The current Board composition reflects a balanced mix of age, professional knowledge, industry experience and length of service to the Board. The diversity mix of the Board as at 31 December 2025 is summarized below:-

Age	Gender	Year of service as Director	Board Skill Matrix (some directors possess more than one skill)
Below 40 years (2 persons)	Male (75%)	1-5 years (3 persons)	Industry and manufacturing (3 persons)
40-60 years (3 persons)	Female (25%)	6-10 years (2 persons)	Global business/Logistics/Supply Chain (2 persons)
60 years and above (3 persons)		Over 10 years (3 persons)	Vietnam and Mainland China exposure (3 persons) Accounting professionals/ financial management expertise/ regulatory & risk management (3 persons)

The Company satisfies the requirement set forth in Rule 13.92 of having at least one female director as the Board currently consists of two female directors. Through the diversity policy in the selection of candidates and the annual review conducted by the Nomination Committee, the Company is committed to maintaining the female representation on the Board that it will continue to maintain at least one female director.

Corporate Governance Report

Workforce Diversity

The Company continually take positive action to ensure equal opportunity and support gender balance in the conduct of employment activities, including recruitment, hiring, compensation, training and promotion for all persons and ensure that recruitment and selection practices at all levels (from the board downwards) are appropriately structured so that a diverse range of candidates are considered; and the Company has identified and implemented programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees and that, in time, their skills will prepare them for senior management and board positions.

As at 31 December 2025, total workforce of the Group comprised 19.24% males and 80.76% females. The Board consider that the current gender ratio of workforce of the Group is appropriate in considering the business models and operational needs.

Audit Committee

During the year, the Audit Committee comprises Mr. Heng Victor Ja Wei as chairman (appointed as chairman following the resignation of Dr. Loke Yu alias Hoi Lam as an independent non-executive Director and a chairman of Audit Committee on 17 March 2025), Mr. Mak Shiu Chung, Godfrey, and Mr. Chui Ka Hing. Two Audit Committee members are qualified accountants. None of the Audit Committee members are members of the former or existing auditor of the Company. For the year ended 31 December 2025, four Audit Committee meetings were held. Attendance of the members is set out on page 31 of this report. The chief financial officer is a normal attendee of the Audit Committee meetings. Where appropriate, representatives of the external auditors are invited to attend the Audit Committee meetings to present significant audit and accounting matters which they noted in the course of their audit.

The terms of reference of the Audit Committee are aligned with code provision set out in the CG Code. Accordingly, given below are main duties of the Audit Committee, including but not limited 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;
- review the effectiveness of the Group's risk management, internal control systems, corporate governance functions, and internal audit processes;
- ensure the Group's adherence to all applicable laws and regulations;
- In the event of any matters arising under the Whistleblowing Policy or major findings of internal review and management's response, reviewing key findings, assessing internal reviews and management responses, and ensuring that fair and independent investigation and follow-up actions are appropriately arranged;

Audit Committee (Continued)

- monitor the appointment, function, and remuneration of the Group's external auditors annually, including 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;
- ensure the external auditor's objectivity and independence through ongoing oversight, including direct engagement to discuss any issues or reservations arising from interim or final audits;
- devise a framework for the type and authorisation of non-audit services provided by the external auditor;
- 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;
- act as the primary communication channel between Directors and the external auditor concerning financial and other reporting, internal control matters, external audits, and other Board-determined issues; developing a framework governing the nature and authorization 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.

The Audit Committee performed the following work during the year

- 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 before submission to the Board 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 risk management and internal control system and the effectiveness of the Company internal audit function, and its other duties;
- reviewed the Group's whistleblowing policy;
- 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; and
- devised a framework for the type and authorisation of non-audit services provided by the external auditor.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

To achieve a sound system of risk management, the Group's risk management system is embedded into the culture, process and structures of the Group. The Group's risk management system shall be responsive to the changes in business environment and clearly communicated to all levels.

The Board has overall responsibility for the effectiveness of the risk management and internal control system and oversees the risk management and internal control systems. With the assistance of the Audit Committee and the Internal Audit and Risk Management Department (formerly known as internal audit team), the Board oversees the Company's risk management and internal control system on an on-going basis, sets appropriate policies and the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function as well as those relating to the Company's ESG performance and reporting, and reviews the effectiveness of the systems at least annually, covering all material financial, operational and compliance controls. The Board reviews risk assessment results, including changes in the nature and extent of significant risks since the last review and the Group's ability to respond to changes in its business and the external environment.

Internal Audit and Risk Management Structure

The Group's chief internal audit executive is the head of Internal Audit and Risk Management Department who is with relevant experience and qualification, serve the Board in the Group to overseeing the Group's internal controls and risk management and compliance with the related requirements under the Listing Rules. Notwithstanding, the Board considers the adequacy of resources, qualifications and experience of persons of the Company's internal audit function and their training programmes and the related budget.

The Board has 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 in – house 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 in-house internal audit team was set up in 2015. The Audit Committee has identified the main risks in the Group and that the Internal Audit and Risk Management Department designed an internal audit program and will emphasise 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.

The Internal Audit and Risk Management Department comprises two members. It reviews and monitors dealings of the Group to ensure that all dealings with these entities are conducted on an arm's-length basis.

Internal Control System

The Audit Committee of the Company has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties have the right and the ability to report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the department head of Internal Audit and Risk Management Department to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations, arising from any investigation to him for consideration by the Audit Committee. The Internal Audit and Risk Management Department reviews significant aspects of risk management for the Group companies and makes recommendations to the Audit Committee and other committees (as the case may be) if necessary, including amongst other things, the appropriate mitigation.

The Group has adopted policies such as Code of Conduct Policy and Anti-Corruption Policy and procedures for assessing and, where prudent, improving the effectiveness of its internal controls and risk management functions to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company. The Group is committed to upholding the highest standards of business conduct and adopts a zero-tolerance approach to corruption and related malpractice. The Anti-Corruption Policy is implemented and it is a core component of the Group's corporate governance framework, supported by other key policies such as the Code of Conduct Policy and the Whistleblowing Policy, which collectively set out expectations for ethical behaviour and establish mechanisms for reporting and investigating suspected fault or corruption. The Company has adopted the Model Code, procedures and internal control to restrict Directors and senior management from dealing in shares while in possession of inside information and accurate disclosure of inside information. In compliance with the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Listing Rules, the Company discloses inside information as soon as reasonably practicable. Procedures are in place to report inside information to the Board.

The Group's Internal Audit and Risk Management Department provides independent assurance to the Board and executive management on the adequacy and effectiveness of internal controls for the Group. The department head of Internal Audit and Risk Management Department reports directly to the Chairman of the Audit Committee under adoption of a risk-and-control-based audit approach. The annual work plan of Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. During 2025, the Group Internal Audit and Risk Management Department conducted selective reviews of the effectiveness of the Group's internal audit program.

Corporate Governance Report

Annual review of system effectiveness

The Audit Committee has, at a regularly scheduled meeting throughout the year, received an internal audit report from the Internal Audit and Risk Management Department on the results of their activities during the preceding period and reported to the Board, including any significant matters pertaining to the adequacy and effectiveness of internal controls including, but not limited to any indications of failings or material weaknesses in those controls.

The Audit Committee accordingly have conducted a review of its risk management and internal control systems and concluded that the Company has an internal audit function; the risk management and internal control are reviewed twice during the year under review; and the effectiveness of the risk management and internal control systems has been conducted. 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 Company considers the systems effective and adequate.

Appropriate control procedures have been designed by the Company to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks (including ESG risks) that may impact on the Group's performance are appropriately identified and managed. A risk register that records major and identifiable risks such as legal and regulatory compliance, financial, information system, and related to critical operational functions was maintained and monitored by the Internal Audit & Risk Management Team. The Internal Audit and Risk Management Team coordinates the collection and consolidation of risks reported by management level or department representatives to facilitate its review. Furthermore, the team assesses the continuing effectiveness of risk mitigation measures through internal audit projects. Such arrangements are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud.

The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Company's financial position or results of operations and considered the internal control systems to be generally effective and adequate.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code Provision A.2.1 of the CG Code. The Board is responsible for reviewing, developing and updating the Company's corporate governance policies and practices and making recommendations on changes and updates, reviewing and monitoring the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and reviewing, the compliance of the Model Code, and the CG Code and disclosure in this report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Board meets at least four times a year at approximately quarterly intervals, in compliance with Provision C.5.1 of the CG Code. Between scheduled meetings, senior management of the Group provides the Directors with information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held.

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.

Attendance records of all directors for Board Meetings, Audit Committee Meetings, Nomination Committee Meetings, Remuneration Committee Meetings (including some meetings held by electronic means such as video-conferencing or telephonic as permitted under the Company's Byelaws), and the Annual General Meeting ("2025 AGM") during the year 2025 is set as below:–

	2025 AGM	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of Meetings	1	12	4	2	2
Independent Non-executive Directors and members/chairman of Committees					
Heng Victor Ja Wei	1	12	4	2	2
Mak Shiu Chung, Godfrey	1	12	4	2	2
Chui Ka Hing	1	12	4	2	2
Loke Yu alias Loke Hoi Lam (resigned on 17 March 2025)	–	2	–	–	–
Executive Director					
Cheng Yung Pun (he is also the chairman of Nomination Committee)	1	12	–	2	–
Cheng King Cheung	–	11	–	–	–
Cheng Kin Cheong (appointment effective on 25 August 2025)	–	2	–	–	–
Yip Hiu Har (she is also as a member of Nomination Committee)	1	12	–	–	–
Shirley Marie Price	–	12	–	–	–

Corporate Governance Report

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

Pursuant to the CG Code, all Directors and senior management 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.

The Directors are committed to complying with the CG Code C.1.4 on Directors' online training or seminars including on the topics of the roles, functions and responsibilities of the Board, its committees and the Directors, and board effectiveness; the Company's obligations and Directors' duties under Hong Kong law and the Listing Rules, and key legal and regulatory developments (including Listing Rules updates) relevant to the discharge of such obligations and duties; corporate governance and ESG matters (including developments on sustainability or climate-related risks and opportunities relevant to the Company and its business); risk management and internal controls; and updates on industry-specific developments, business trends and strategies relevant to the Company.

During the year ended 31 December 2025, all Directors of the Company namely, Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Mr. Cheng Kin Cheong, Ms. Yip Hiu Har, Ms. Shirley Marie Price, Dr. Loke Yu alias Loke Hoi Lam (before he resigned on 17 March 2025), Mr. Mak Shiu Chung, Godfrey, Mr. Heng Victor Ja Wei and Mr. Chi Ka Hing, received and read 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 and read by the Directors. They also attended regulatory update sessions or external online seminar on relevant topics. During the year 2025, Mr. Cheng Kin Cheong, a newly appointed Director obtained legal advice on 20 August 2025 in accordance with the requirements set out in Rule 3.09D and confirmed that he understood his obligations as a director of a listed issuer. Since August 2025, he will complete at least 24 hours of continuous professional development within 18 months of his appointment effective on 25 August 2025, as specified under Rule 3.09H. Directors have participated in continuous professional development and provided a record of training they received for the financial year ended December 31, 2025 to the Company.

COMPANY SECRETARY

The Company Secretary is a full-time employee appointed by the Board who reports directly to the Chairman and is responsible for advising the Board to ensure compliance with Board procedures. During the year under review, the Company Secretary completed no less than 15 hours of relevant professional training, fulfilling the training requirements under Rule 3.29 of the Listing Rules. All Directors have access to the Company Secretary for advice on corporate governance, Board practices, and other matters.

Ms. Lo Siu Ting (“Ms. Lo”), the previous joint secretary, resigned as Joint Company Secretary with effect from 28 February 2025 and approved by the Board. Ms. Lo is a Director of Hongkong Managers and Secretaries Limited, a professional corporate services provider for Hong Kong-listed and private companies. Ms. Yip Hiu Har, Executive Director of the Company, has been designated as the primary liaison with Ms. Lo on corporate governance and secretarial and administrative matters before she resigned.

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.

DIRECTORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 approves the financial statements after taking into account specific accounting matters. Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards and the publication of the financial statements of the Group is in a timely manner and also ensure that proper accounting records of the Group are maintained. 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.

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 aware of the liquidity challenges that indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern that required careful assessment by the directors. The financial statements of the Company for the year ended 31 December 2025 have been reviewed by the Audit Committee and audited by the external auditor, Crowe (HK) CPA Limited. A statement of the auditor about their reporting responsibilities is included in the Independent Auditor’s Report on pages 86 to 91 of this annual report.

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.

Corporate Governance Report

AUDITORS' REMUNERATION

During the year under review, the fees paid or payable to the auditor of the Company, Crowe HK (CPA) Limited, were approximately HK\$1,750,000 for statutory audit services rendered to the Group. Remuneration paid to other auditors for audit and non-audit services rendered to overseas subsidiaries was approximately HK\$2,157,000.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDER

The Board has reviewed the implementation and effectiveness of the investor relations and Shareholder Communication Policy as outlined below, and consider it adequate and effective. Members of the Board meet and communicate with shareholders at the annual general meeting (“AGM”) of the Company. 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. The Chairman proposes separate resolutions for each issue to be considered, include re-election of an individual director and put each proposed resolution to the vote by way of a poll. Voting results are posted on the website of the Stock Exchange and the Company's website on the day of AGM. All directors except Mr. Cheng King Cheung and Ms. Shirley Marie Price had attended the 2025 AGM of the Company held on 15 May 2025.

Our company website which contains corporate information, corporate governance practice, interim and annual reports, ESG reports, announcements and circulars issued by the Company enables the Company's shareholders to have timely and updated information of the Company. The Company follows a policy of disclosing relevant information to shareholders in a timely manner.

Shareholder Communication Policy

The Company has adopted the shareholders communication policy with the objective of ensuring that shareholders of the Company, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company. The Board will regularly review the policy to ensure its effectiveness.

Information shall be communicated to shareholders and the investment community mainly through the Company's financial reports, AGMs and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the company website.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted during the year and was satisfied with the implementation and effectiveness of the shareholders communication policy.

Shareholder Communication Policy (Continued)

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.

Shareholder Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder 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.

Pursuant to the Company's Bye-Laws, notice in writing by any two 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's Tsimshatsui office at least seven 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 days prior to the date of such general meeting.

In accordance with the Company's Shareholders' Communication Policy, the Shareholders direct their questions about their shareholdings to the Branch Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong 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 request the company's publicly available information from the Company at any time. Shareholders may contact the Branch Share Registrar to obtain the designated company email address and enquiry hotline for inquiring about any information relating to the Company.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

The existing Bye-laws of the Company, which were primarily amended to align with the amendments to the Listing Rules (in particular to conform to the core shareholder protection standards as set out in Appendix 3 to the Listing Rules) were approved at the Company's 2023 annual general meeting. At the forthcoming 2026 AGM (the "AGM"), a special resolution will be proposed for shareholders' approval regarding further amendments to the Bye-laws, including (i) allow general meetings of the Company to be held as hybrid meetings or electronic meetings and permit electronic voting; (ii) bring the existing By-laws in line with the latest regulatory requirements in relation to the further expanded paperless listing regime under the Listing Rules; and (iii) allow the Company to acquire and hold its shares as treasury shares. During the year 2025, there were no changes to the Company's constitutional documents. The current Bye-laws are available for download from the Stock Exchange and Company websites.

DIVIDEND POLICY

The Board considers sustainable returns to owners of the Company to be one of the main objectives of the Company. Stable dividend payment to owners is the primary objective of the Company.

Under the Company Law and the Company's Bye-Laws, all of the Company's shareholders have equal rights to dividends and distributions. The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per Share basis. The declaration of interim dividend and the final dividend (which requires the approval of shareholders) is subject to the discretion of the Board. The Board may declare special dividends in addition to such dividends as it considers appropriate. Dividends may be paid in cash or be satisfied wholly or in part by the distribution of specific assets of any kind, including an allotment of shares of the Company.

The Board has adopted a dividend policy. This policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid, and (ii) the level and form of dividend to be paid to the owners of the Company. It is the policy of the Company to allow its owners to participate in the Company's profits whilst to retain adequate reserves for future growth. The declaration of dividends is subject to the discretion of the Board. The Board will take into account one or more of the factors when considering the payment of dividends according to the Dividend policy including actual and expected results of operations, cash flow and financial performance of the Group; global economic conditions and other factors that may have an impact on the business operation of the Group; the Group's business strategies, liquidity position and capital requirements, including future cash commitments and investment needs to sustain the long-term growth of the business; any restrictions on payment of dividends in the Company's bye-laws, the relevant laws and regulations or which may be imposed by the Group's lenders or other contract parties; any declaration and payment of future dividends under the Dividend Policy are subject to the Board's satisfaction that the same would be in the best interests of the Company and its shareholders as a whole; and any other factors that the Board deems appropriate. In practice, the Company will not declare any dividend(s) where (i) there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due; or (ii) there is any other case set forth by any law.

Environmental, Social and Governance Report

1 ABOUT THE ESG REPORT BASIS AND SCOPE

The Company is pleased to publish this Environmental, Social and Governance ('ESG') Report, which aims to disclose, in a transparent and open manner, the Group's progress and achievements from 1 January 2025 to 31 December 2025, within the actual business scope in the areas of ESG, and to demonstrate the Group's vision for sustainable development to stakeholders, thereby enhancing Stakeholders' understanding of and confidence in the Group. The Group reports on the policies, measures, performance and key performance indicators with significant impacts on ESG issues based on the four principles including materiality (significant environmental and social issues are based on concerns of key stakeholders); quantitative (measurable key performance indicators are reported in a quantitative way with narrative and comparative data where appropriate, and further improvement goals are set); balance (the Group's ESG performance is reported in an objective and fair manner); and consistency (consistent methodologies are used to make data comparable). This ESG report is accessible on both the HKEx website and the Company's website. For any enquiries regarding this ESG report, please contact at matrix@matrix.hk.com or our principal office in Tsim Sha Tsui.

This report is prepared in accordance with Appendix C2 "Environmental, Social and Governance Reporting Guide" (the "ESG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as the United Nations Sustainable Development Objectives (UN SDGs). Unless otherwise specified, the scope of this report covers the Company and all its subsidiaries during the year, including mainly in Hong Kong, PRC and US sites and Vietnam manufacturing facilities.

BOARD STATEMENT

The Group has established a clear governance structure under the Board of Directors to oversee ESG matters, supported by the ESG implementation team and Environmental Health Safety ('EHS') Committee (the 'ESG Team'). Under the leadership of the Board, the ESG Team is responsible for identifying and assessing ESG related risks associated with the Group's operations, ensuring that appropriate and effective ESG risk management and internal control systems are in place, reporting the progress of ESG objectives to the Board, and conducting regular reviews to monitor implementation performance.

The Board convenes regular meetings to deliberate and approve the Group's sustainable development objectives, to assess and review ESG related targets, and to ensure alignment with the Group's overall business strategy and direction. Through the ESG Team, the Board provides guidance and oversight on the formulation and implementation of the Group's ESG vision, strategy and framework; reviews key ESG issues, major risks and opportunities; monitors communication channels and stakeholder engagement, particularly with shareholders; and reviews ESG related disclosures to ensure consistency, accuracy and transparency.

The Board assumes overall responsibility for the Group's sustainable development, including formulating longterm, mediumterm and shortterm strategic directions, assessing key ESG risks and opportunities, and reviewing as well as ensuring the effectiveness of related risk management and internal control systems. In addition, the Board oversees the Group's senior management in continuously optimising the governance framework, promoting the execution of ESG initiatives, and conducting regular reviews of reports prepared by the ESG Team to ensure continuous progress towards the Group's sustainability objectives.

Environmental, Social and Governance Report

1 ABOUT THE ESG REPORT (Continued)

CULTURE AND ESG STRATEGY

The Group's Environmental, Social and Governance ('ESG') ambitions are realized through a corporate culture that champions sustainability, ethics, and inclusivity. This cultural foundation enables the execution of our strategic priorities. The Group believes a robust ESG strategy requires an authentic cultural commitment. Its culture of accountability and innovation is what transforms strategic goals into operational reality. At the intersection of its formal ESG strategy and lived corporate culture lies its true sustainability impact. Each reinforces the other that strategy provides direction and culture provides the drive.

MATERIALITY ASSESSMENT

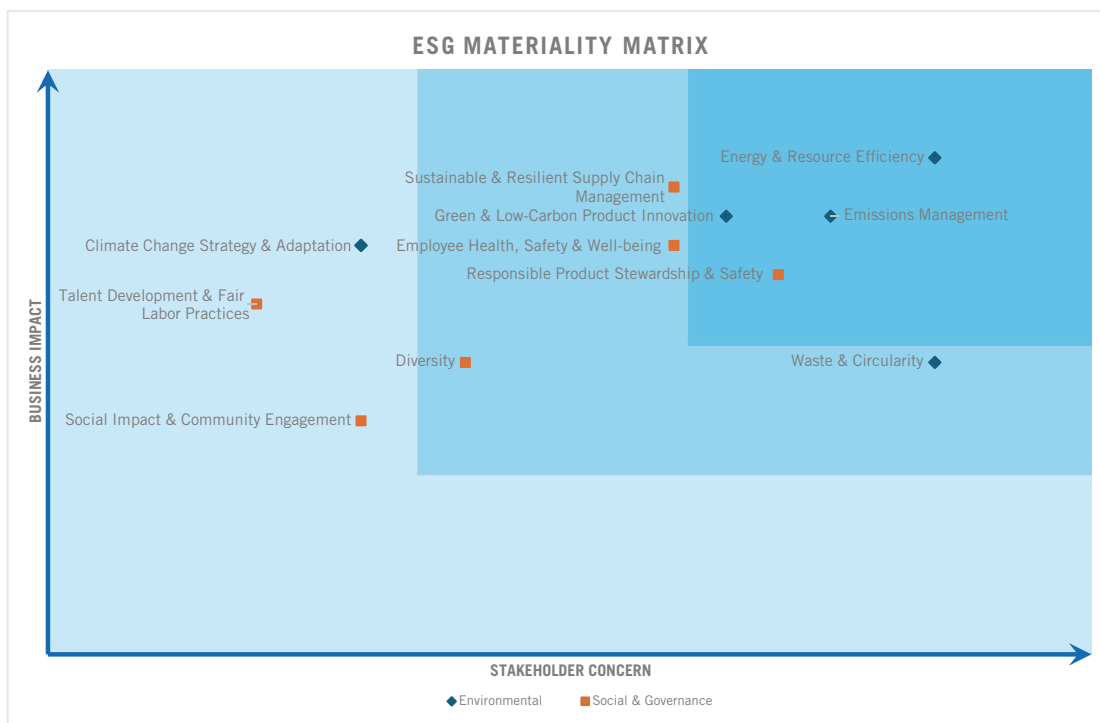
The Group's materiality assessment identifies the ESG topics most critical to its business operations and stakeholders. The table below illustrates how these priority areas are translated into concrete actions and how the Group aligns its efforts with the United Nations Sustainable Development Goals (UN SDGs). The Group's contributions are strategically focused on areas where it can generate the most significant and positive impact.

	Key Actions & Measures (Reporting Year)
Climate Change Strategy	<ul style="list-style-type: none">– Achieved 57% renewable electricity via I-RECs.– Implemented energy efficiency upgrades (smart meters).– Set GHG reduction targets for 2030.
Sustainable Supply Chain	<ul style="list-style-type: none">– Enforced supplier code of conduct audits.– Launched a program to source 20% sustainable materials.
Employee Health, Safety & Well-being	<ul style="list-style-type: none">– Upgraded chemical emission controls and noise reduction systems.– Launched comprehensive wellness programs.
Green Product Innovation	<ul style="list-style-type: none">– Invested in Research and Development for low-carbon product lines.– Reduced packaging material (plastic, polybag reduction).

The Company employs a structured annual process to identify and prioritize the material ESG topics most critical to our long-term business strategy and stakeholder expectations. This rigorous process involves three key stages: identification through an internal and external landscape scan; assessment based on significance to enterprise value and importance to key stakeholders; and prioritization to determine our most material focus areas including environmental areas such as Climate Change Strategy & Adaptation, Emissions Management, Waste & Circularity, Energy & Resource Efficiency, Green & Low-Carbon Product Innovation; social & governance areas such as Responsible Product Stewardship & Safety, Talent Development & Fair Labor Practices, Diversity, Employee Health, Safety & Well-being, Sustainable & Resilient Supply Chain Management, Social Impact & Community Engagement.

1 ABOUT THE ESG REPORT (Continued)
MATERIALITY MATRIX

The Company has developed a materiality matrix for key ESG topics based on the principle of double materiality, taking into account both stakeholder concern (from high to low) and business impact (from low to high), and drawing on comprehensive assessments of various issues. Through this process, the Company identified ten ESG issues that are most significant to the Group’s stakeholders and longterm development, and these have been prioritised according to their level of materiality. In view of the heightened stakeholder attention to environmental matters during the year, the Group will continue to strengthen its sustainability framework to better address stakeholder expectations and further enhance ESG management performance.



The Company’s stakeholders include Customers, government and regulatory authorities, employees, investors, business partners. The Company’s communication channels include, but are not limited to Company website, online and offline meetings, investor and employee satisfaction surveys.

AWARDS AND HONOURS

During the year, the Company offset I-RECs (International Renewable Energy Certificates) equivalent to 57% of its total electricity consumption. The Company is upgrading its chemical emission treatment system to achieve higher efficiency in the collection, treatment, and purification of process emissions. This initiative is a core component of our strategy to ensure operational safety and environmental protection. The Group’s operations are validated by a comprehensive suite of international standards, underpinning our commitment to excellence including Quality & Safety: ISO 9001 Quality Management System Certification, Global Safety Validation (GSV); Environmental Management: ISO 14001 Environmental Management System Certification, International Sustainability & Carbon Certification (ISCC), Forest Stewardship Council (FSC); Social & Ethical Responsibility: Sedex Members Ethical Trade Audit (SMETA), Environmental and Social Compliance Programme (ESCP) (ICTI Ethical Toy Program). This certification framework ensures rigorous quality control, advances our environmental performance, and verifies our social accountability across the supply chain.

2 ENVIRONMENTAL PERFORMANCE

2.1 Environmental Policy and Compliance

The Group strives to achieve efficiency in the usage of energy, water and materials. We established a strict environmental compliance management system to operate in a manner in compliance with relevant local environmental regulations, general practice of respective jurisdictions (including Hong Kong/ Chinese mainland, overseas and Vietnam) and international standards, with an aim to reduce the use of natural resources and protect the environment. The Group has obtained the ISO 14001 Environmental Management System certification.

The Group has implemented a number of measures in accordance with applicable international standards. These include greenhouse gas (GHG) emission inspections, reduction, classification and recycling of waste, and consultations on energy conservation and carbon reduction in factories with high energy consumption levels. We have established an EHS department to be responsible for identifying, assessing and managing potential hazards, and to enhance environmental protection awareness at the overall level. We conduct an environmental risk assessment once a year, which includes identifying potential risks, analyzing possible events and their impacts, as well as evaluating the gaps in risk mitigation measures and emergency preparedness plans.

Total floor area coverage of the Group's various factories in Vietnam was 122,722.2 m² (2024: 122,722.2 m²) and most of the Group's emissions were produced by its factory operations in Vietnam. Major types of emissions from these production plants in the Reporting Period were unleaded diesel oil, electricity, water, paper, hazardous waste and non-hazardous waste.

2.2 Energy and Resource

The Group's main business is manufacturing and therefore that energy use is a critical environmental factor in our manufacturing operations, with electricity consumption being the most significant. Our use of energy and resources included purchased electricity for factory processes and dormitories, non-mobile fuel (LPG and diesel) for cooking and generators, and mobile fuel (diesel and petroleum) for transport vehicles (eg truck or forklift).

To govern our operational footprint comprehensively, we have institutionalized an Energy Conservation and Emission Reduction Management Procedure. This framework formalizes management accountability, standardizes metering and consumption protocols, mandates efficiency upgrades, and enforces a performance-linked reward system to ensure rigorous oversight and continuous improvement in energy stewardship.

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.2 Energy and Resource (Continued)

2.2.1 Electricity

The Group strives to save energy by installing energy-saving appliances such as LED lighting and switching to low energy consumption equipment. In addition, the Group participated in the Environmental Score-Card (“ESC”) program which was launched by the factories in compliance with local environmental regulations and in response to customers’ call pertaining to minimization of light nuisance and energy wastage.

We continue to advance energy management system and conduct regular energy audits by local authority in Vietnam. Undertake comprehensive assessments of energy usage through site inspections, data collection, and analysis, in order to further promote targeted improvements across all areas of energy management. Furthermore, we consciously purchase I-RECS-verified renewable electricity and use clean energy as much as possible.

The electricity consumption by the Group was 20,413,063 kWh (2024: 18,556,210 kWh).

2.2.2 Gasoline and Unleaded Diesel

A total of 11,974.13 liters (2024: 6,746.84 liters) of unleaded diesel oil was consumed, leading to 35.09 tonnes (2024: 18.83 tonnes) of carbon dioxide equivalent in the Reporting Period.

2.2.3 Water

The Group’s water resources are mainly used for the production of toys. Our mainly water supply is obtained from local government sources. Consequently, during the Reporting Period, we did not encounter any difficulties in sourcing suitable water resources.

We adhere to the principles of water conservation, total volume control, planned water usage, integrated utilisation, and focus on efficiency. An annual water conservation development plan is formulated, and water resources management is continuously enhanced. We conduct water resources usage assessments. Based on the actual water consumption of each user unit, the corresponding water quotas are determined, and strict supervision of their implementation is enforced.

The Group actively promotes water-saving practices such as i) installing water meters to monitor water consumption; ii) Installation of auto valve to water supply pipe to prevent overflow of water tanks and thus reduce wastage of water; iii) providing periodic training to workers to enhance their awareness on water-saving in factories; and iv) encouraging employees to turn taps off tightly and prevent dripping of water.

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.2 Energy and Resource (Continued)

2.2.3 Water (Continued)

Water consumption by the Group was 106,185 m³ (2024: 78,850 m³) and the corresponding water intensity was 0.874 m³/m² (2024: 0.650 m³/m²). Same as last year, only the water consumption in relation to the operation factories and offices with total floor area coverage of 121,316.4 m² (2024: 121,316.4 m²) were included in this section as water usage of our offices in other regions has been embedded in the management fee and thus cannot be quantified separately.

2.2.4 Paper and Packaging Material

The Group actively controls packaging consumption through targeted measures, including a specific reduction in polybag and plastic use. Our strategy centers on designing for minimalism by eliminating unnecessary layers, specifying certified sustainable materials such as FSC-certified paper for boxes and pallets, and optimizing logistics efficiency to reduce overall usage. This approach prioritizes source reduction without compromising product integrity or safety.

In addition, we are actively replacing traditional plastics with sustainable alternatives such as recyclable and bio-based ones, reducing our environmental footprint from the source by changing our material mix. And develop automated production lines to optimize output and reduce energy and material waste per unit.

A total of 1.2 tonnes (2024: 1.42 tonnes) has been used in the daily office operations and advertising activities. Some marketing materials such as leaflets, catalogues and sales kits have been disposed through licensed recycling companies. During the Reporting Period, 1,376 tonnes (2024: 1,413 tonnes) of packaging materials were disposed. These packaging materials mainly include metal containers, poly bag and carton papers like carton containers.

2.3 Emissions and Waste

2.3.1 Air Emissions

Our production facilities integrate advanced technologies that drive both efficiency and environmental responsibility. The deployment of robotic painting systems enhances quality while conserving raw materials and energy. This is complemented by an upgraded chemical emission control system with advanced filtration, which captures and treats volatile organic compounds (VOCs) and non-methane hydrocarbons (NMHCs) at their source. To ensure the highest standards are maintained, we employ continuous emission monitoring and testing, creating a data-driven feedback loop for proactive environmental management and compliance verification.

The air emissions of the Group were 420,950 m³ (2024: 322,150 m³).

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.3 Emissions and Waste (Continued)

2.3.2 GHG Emissions

The Group strictly complied with the relevant laws and regulations for emissions, the relevant regulations include National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts, National Technical Regulation on Noise and National Technical Regulation on Industrial Wastewater.

The Group endeavors to protect the environment by implementing various measures to minimize environmental adverse impacts arising from its operations and ensure sustainable development and operation. The Group has implemented various energy-saving and energy efficiency measures, including i) encouraging staff to switch off unnecessary lighting, equipment, personal computers and monitors in lunch time, after office hours, while away or in meeting; ii) reducing lighting provisions in non-working areas; iii) installing high-performance electric equipment; iv) replacing normal light bulbs with light-emitting diode (“LED”) energy-saving lighting gradually; v) installing roof made of transparent materials to provide natural lighting; vi) switching off unnecessary lighting and electrical appliances when they are not in use; vii) setting the photocopiers in energy saving mode when not in use; and viii) deploying window panes which provide natural ventilation for better indoor air quality as well as natural lighting to save energy.

The following table highlights the carbon footprint in the Reporting Period:

		2025	2024	2025	2024
Scope of GHG Emissions	Emission Sources	Emission (in tonnes of CO ₂ e)	Emission (in tonnes of CO ₂ e)	Total Emission (in percentage)	Total Emission (in percentage)
Scope 1					
Direct Emission	Unleaded Diesel Oil consumed by generator, forklift, boiler	35.09	18.83	0.26%	0.16%
	Liquefied Petroleum Gas (LPG) Combustion by Kitchen	5.59	-	0.04%	-
Scope 2					
Indirect Emission	Purchased Electricity	13,431.80	12,140.52	99.69%	99.83%
Scope 3					
Other Indirect Emission	Water Consumption	1.62	1.58	0.01%	0.01%
	Total:	13,474.10	12,160.93	100%	100%

Environmental, Social and Governance Report

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.3 Emissions and Waste (Continued)

2.3.2 GHG Emissions (Continued)

Unit	Unit	2025	2024
Total GHG Emitted	tCO ₂ e	13,474.10	12,160.93
Total Floor Area Coverage	m ²	122,722.2	122,722.2
Total production weight	kg	8,193,273.17	11,973,096.22
Annual Emission Intensity	tCO ₂ e/m ²	0.1098	0.0991
Annual GHG emission Intensity	tCO ₂ e/kg	0.0016	0.0010
Total Removal by installing of LED equipment	tCO ₂ e	8.922	17.760

2.3.3 Non-hazardous Waste and Hazardous Waste

The Group has formulated the Waste Management Policy and Environmental Pollution Control Responsibility System for Waste to manage the generation, reduction and treatment of emissions across the entire production lifecycle. The Group strictly prohibits any outflow of waste that may present a potential threat to the environment or community. Environmental protection facilities are integrated into the production line, equipped with pollution control systems and technologies to minimise the generation of waste.

Non-hazardous waste generated from the Group's operation includes living wastes, plastic, packaging materials, carton paper and cloth, which are mainly related to factories' operations as well as sales and marketing functions.

To better manage the use of resources, the Group strives to adopt paper saving and waste reduction measures, such as default double-sided printing, reusing packaging boxes and stationeries like files folders and envelopes as well as recycling of waste paper, plastic and cloth.

Hazardous waste generated from the Group's operations mainly comes from paint residue (i.e. leftover paint from application processes), paint-contaminated rags (Wipes and cloths used in cleaning or application), rigid contaminated packaging (e.g. paint cans, glue containers, oil drums) and soft contaminated packaging (e.g. sticker residuals, contaminated polybags). The majority of the hazardous wastes are collected and treated by qualified local authorities in compliance with regional regulations.

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.3 Emissions and Waste (Continued)

2.3.3 Non-hazardous Waste and Hazardous Waste (Continued)

Given that the vast majority of our hazardous waste comes from processes related to painting, we actively seek opportunities to completely eliminate the use of paint in specific production steps where feasible. We actively explore alternative and less harmful materials (for example, water-based coatings, low-VOC adhesives). We have enhanced application efficiency, minimized over-spraying and material waste to the greatest extent, thereby reducing paint residue and consumable contamination. We collaborate with suppliers to explore recycling solutions for packaging or bulk transportation to reduce waste from both flexible and rigid packaging.

A total of 36,170 kg (2024: 20,660 kg) hazardous waste was collected during the Reporting Period.

2.3.4 Wastewater

We strictly adhere to the laws and regulations applicable to our operational sites. Our business activities result in wastewater discharges. These primarily comprise process wastewater and domestic sewage, both generated by offices, laboratories, facilities, and similar sources. We establish parameters for testing, monitoring, and discharge of wastewater.

The industrial wastewater discharge of the Group was 36,319 m³ (2024: 27,104 m³).

2.3.5 Noise

We strictly adhere to the Environmental Protection Law and other noise management regulations, and refer to TCVN 3985:1999 Acoustics – Allowable Noise Level at Workplace to ensure that the noise level at the factory boundary meets national and local standards, thereby reducing and preventing noise pollution and related hazards. We have technically optimized and upgraded auxiliary facilities, environmental protection facilities, air compressor stations, etc., around the production plant, and implemented sound insulation, noise reduction, sound absorption, and vibration reduction measures for production machinery to reduce noise emissions. In addition, we have developed a factory area environmental monitoring plan and conduct annual boundary noise assessments.

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.4 The Environment and Natural Resources

To ensure prompt actions can be taken in response to possible incidents that may cause pollution to the environment, the Group has clearly defined the roles and responsibilities of each managerial post and formulated possible preventive and remedial measures to protect the local ecological environment and avoid the occurrence of environmental pollution and ecological damage on the affected sites as stipulated in COC and ESC. An emergency plan is formulated to cope with possible incidents of pollution.

Furthermore, we have formulated an Emergency Response Plan for Environmental Incidents to address environmental emergencies and provide a standardised procedure for handling such events. Establish an early warning system, categorise environmental issues by level, and accordingly implement preventative and responsive measures. Allocate personnel to prevent, report, and manage relevant matters so as to minimise adverse impacts and prevent the escalation of incidents.

During the Reporting Period, the Group did not find any activities with significant impacts on the environment and natural resources.

2.5 Climate Change

Climate change and global warming are the most pressing environmental problems in the world. It will also lead to transition risks arising from the change in environmental-related regulations or change in customer preferences. The Group has implemented various environmental protection measures to minimize GHG emissions and non-hazardous waste generation, even though these climate change risks do not significantly impact our current business operations.

Governance

The Board has delegated day-to-day climate-related responsibilities to the ESG Team, which is responsible for coordinating and implementing climate and broader ESG initiatives across the Group. A Board member sits on the ESG Team to oversee its work and to ensure that material climate-related matters and recommendations are reported back to the Board for consideration and decision-making.

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Governance (Continued)

The Group has established a management-level ESG Implementation Team (“ESG Team”) to oversee climate-related risks and opportunities, with involvement from the EHS Committee the Compliance and Operations Committee (COC) department and a dedicated COC manager at the execution level. The ESG Team reports to senior management and coordinates climate-related initiatives, including risk identification, assessment, and mitigation strategies across operations. The ESG Team develops and implements action plans aligned with internal guidelines. The COC Department provides oversight on compliance aspects of climate risks, with a dedicated COC manager leading execution-level activities such as monitoring progress, ensuring regulatory alignment, and reporting upwards. Climate responsibilities are embedded within broader enterprise risk management, with regular updates to senior management and escalation to the Board-level ESG Team as needed.

The Group has integrated climate-related considerations into its comprehensive risk management framework. The ESG Team convenes at least annually to review key sustainability priorities, oversee internal governance mechanisms, and clarify roles, responsibilities, reporting structures, and ESG issue management protocols. We conduct systematic reviews of climate, social, and governance-related risks and opportunities every six months, incorporating them into the company’s Risk Management (RM) framework to ensure ESG risks are managed in alignment with financial and operational risks.

To ensure the capabilities of the ESG Team, we have engaged experts to offer training courses on topics such as regulatory requirements for sustainable development and climate change. This helps members acquire the necessary professional knowledge, enabling them to make effective decisions and supervise issues related to sustainability.

Environmental, Social and Governance Report

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Strategy

We actively manage climate-related risks while proactively pursuing sustainable development opportunities that arise in transition. We have developed a climate risk assessment framework that is fully aligned with our company's strategic goals, operational realities, and extend value chain impacts. This framework systematically integrates external climate risk factors, evolving regulatory directions, and internal strategic priorities to identify and assess the risks and opportunities posed by climate change in the short term (within 1 year), medium term (1-5 years), and long term (over 5 years).

Type	Description	Period	Potential Impacts	Response Measures	Current Financial Impact
Physical risks					
Acute risk	The severity of extreme weather events (such as cyclones, hurricanes, or floods) is increasing.	Medium	<p>Extreme weather events can directly damage facilities at production sites and cause staff shortages due to traffic disruptions.</p> <p>Automated robotic arms and control systems that are submerged in water or damp will have extremely high repair costs and long repair cycles.</p>	<p>We have established a routine business continuity management system, coordinated by a cross-departmental emergency response team. We conduct annual reviews based on business risks and optimize our contingency plans annually based on the risks encountered in our work. We consistently conduct annual training and drills, ensuring that our emergency policies effectively protect employee safety, minimize the impact of operational disruptions, and enable rapid recovery, thus continuously upholding our commitment to customers and shareholders.</p>	Affecting production schedule high maintenance costs and long repair cycles
Chronic risk	The sustained higher temperatures.	Medium	Automated equipment (such as control systems and servers) requires a constant temperature and humidity environment. During periods of high temperatures, the workshop's air conditioning and cooling systems operate at high loads simultaneously with the production equipment, putting pressure on the power grid and the company's own power system, which may lead to the risk of power outages.	Heat insulation and shielding should be provided for high-temperature equipment (such as injection molding machines and boilers). For extremely high-temperature processes, the use of automation or mechanical assistance to further replace manual labor should be evaluated.	Increased operating costs

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Strategy (Continued)

Type	Description	Period	Potential Impacts	Response Measures	Current Financial Impact
Transition risks					
Policy and legal risk	Climate-related laws and regulations have been tightened, and the requirements for information disclosure related to emissions have increased.	Short to Medium	Increasingly stringent emission reporting obligations have led to a measurable increase in costs associated with establishing and maintaining relevant policies and control procedures. To meet the new regulations, environmental protection facilities (such as wastewater and exhaust gas treatment) must be upgraded and certifications obtained.	Engaging external consultants and providing internal training to build competency in emissions measurement, reporting standards, and regulatory compliance. Budgeting for third-party verification of emission data and reports to meet mandatory assurance requirements. Maintain production qualifications in accordance with relevant requirements to avoid risks such as fines and production halts.	Increased operating costs
Market risk	The market is affected by climate change, and the supply and demand of goods, products and services have changed.	Long	Customers require the use of environmentally friendly materials, such as sustainable plastics, water-soluble paints, and FSC-certified paper. The unit price of environmentally friendly materials is usually higher than that of traditional materials.	Collaborate with clients and designers to optimize product design, meeting environmental requirements while reducing material usage or adopting more cost-effective structures. Optimize production parameters to reduce energy consumption and scrap rates caused by material changes, offsetting material costs.	Increased operating and material costs
Reputation risk	The perception of customers or communities regarding the organization's contribution or reduction to the low-carbon economic transition has changed.	Medium	As consumers and businesses become more environmentally conscious, companies that fail to adopt sustainable practices may face reputational damage. This can lead to a loss of clients who prefer to work with environmentally responsible partners and customer trust.	To meet the requirements of leading customers, we use environmentally friendly materials, implement green design, and provide carbon footprint data. We have changed our procurement policies and established new supply chains and management systems. Green investments, obtaining green certifications in the market, such as ISCC, FSC certificates, energy efficiency audits, etc.	Increased operating and material costs

Environmental, Social and Governance Report

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Strategy (Continued)

Type	Description	Period	Potential Impacts	Response Measures	Current Financial Impact
Efficiency	Driving technological and process innovation	Long	Production automation and facility upgrades will develop the factory into an intelligent model to enhance operational flexibility and forward-looking planning, and increase its appeal to investors.	Using automated processes makes production more efficient, reduces reliance on manpower, lowers costs, and increases stability.	Attract customers and increase orders
Energy and Source	Shift a large portion of the energy produced to low-emission alternative energy sources	Long	Invest in low-emission technologies to gain investment returns and reputation benefits.	Purchase I-RECs for production sites to achieve green electricity coverage and obtain official deregistration certificates.	Attract customers and increase orders
Products and Services	Organizations innovate and develop new low-emission products and services	Long	Production using sustainable materials to improve our competitive position and capitalize on shifting consumer and producer preferences.	Development and/or expansion of low emission goods and services. Increase the proportion of green products (e.g., use FSC-certified paper).	Increase revenue

In the short, medium, and long term, we will further refine our carbon accounting system and expand our analytical scope to systematically identify market opportunities. We estimate that the financial impact from climate-related opportunities in fiscal year 2025 will account for less than 1% of total company revenue, primarily reflected in cost savings from efficiency gains and market growth potential linked to greener products.

Given that the Stock Exchange of Hong Kong provides relief (including reasonable information relief, capacity relief and financial impact relief), this report does not disclose the details of the financial impact and climate-related scenario analysis for the time being, but mainly provides qualitative descriptions. Furthermore, we have yet to implement the climate-related transformation plans. The Group commits to continuously enhancing the relevant capabilities and gradually improving them in future reports.

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Risk management

We have established a structured and integrated framework to identify, assess, respond to, monitor, and continuously improve our management of climate-related risks. This process is embedded within our enterprise risk management system and reviewed regularly to ensure its effectiveness.

Risk Identification We comprehensively identify potential climate-related risks that may affect us from important aspects such as business strategy, operations and financial performance.

Risk Assessment We use standardized scoring methods to assess its potential financial, operational and reputational impacts and the time range of their impacts, and determine the priority actions for response based on the risk level.

Risk Response We formulate and implement appropriate actions to mitigate, transfer, accept or utilize identified climate risks. For high-priority risks, we have designed specific action plans (e.g., energy efficiency programs, renewable energy procurement, supply chain diversification). Where applicable, we redefine risk as opportunity – for example, developing low-carbon products to meet evolving customer preferences.

Monitoring and Reporting We continuously track the effectiveness of risk response measures and ensure that they are reported to management and the Board in a timely manner. We review the risk status and response progress at the business level once a quarter and at the board level once a year. In the event of significant changes in risks or the emergence of new risks, they will be promptly elevated to the senior management for control.

Continuous Improvement We ensure that the risk management process evolves with changing circumstances and emerging best practices. We conduct an annual assessment of the risk management framework to identify gaps and areas that need improvement. We actively absorb insights from investors, clients and regulatory authorities to improve our approach and stay in line with market expectations.

Environmental, Social and Governance Report

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Risk management (Continued)

The ESG Team has assessed climate-related risks and opportunities and has ranked them by probability and impact. The identified issues are categorized as follows:

Category	#	Time of impact	Impact Level	Item	Description/Implication
Physical Risks	R1	Mid	High	Extreme weather events	Acute disruptions such as floods, typhoons, or storms impacting operations, supply chains, and asset integrity.
	R2	Mid	Low	Chronic heat waves	Sustained high temperatures affecting workforce productivity, cooling costs, equipment efficiency, and operational continuity.
Transition Risks	R3	Long	High	Increased raw material costs	Rising prices of sustainable or low-carbon materials as markets shift toward greener supply chains.
	R4	Mid	Medium	Changing customer preferences	Growing demand for eco-friendly products requiring adjustments in product design, marketing, and value proposition.
	R5	Short	Low	Tightened emission reporting obligations	Immediate increases in compliance costs and administrative workload due to stricter disclosure rules.
	R6	Long	Medium	Tightened climate-related regulations	Broader policy and compliance requirements affecting operations, reporting, and strategic planning across jurisdictions.
	R7	Mid	Medium	Shift to lower-carbon technology	Need to invest in cleaner production processes and energy systems to remain competitive and comply with evolving standards.

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Risk management (Continued)

Category	#	Time of impact	Impact Level	Item	Description/Implication
Opportunities	01	Long	High	Automation process development	Implementing advanced automation to enhance efficiency, reduce labor dependency, and lower operational emissions.
	02	Mid	Low	Renewable energy development	Investing in solar, wind, or procurement of renewable energy certificates (I-RECs) to decarbonize operations and reduce energy costs over time.
	03	Long	Medium	Improving energy efficiency	Upgrading equipment, optimizing processes, and adopting energy management systems to lower consumption and long-term operating expenses.
	04	Short	Medium	Establishing a circular economy model for toy manufacturing	Designing for durability, recyclability, and material recovery to reduce waste, enhance brand reputation, and meet circular economy regulations.
	05	Mid	Low	New green supplier chain development	Collaborating with suppliers who prioritize sustainable practices, thereby strengthening supply chain resilience and aligning with ESG criteria.

R3	R1	
R6	R4, R7	
	R2	R5

Long-term over 5 years Mid-term 1-5 years Short-term within 1 year

High Risk

Medium Risk

Low Risk

01		
03		04
	02, 05	

Long-term over 5 years Mid-term 1-5 years Short-term within 1 year

High Risk

Medium Risk

Low Risk

Environmental, Social and Governance Report

2 ENVIRONMENTAL PERFORMANCE (Continued)

2.5 Climate Change (Continued)

Metrics & Targets

To better understand and continuously track the effectiveness of the Group in addressing climate change, the Group has formulated GHG emission reduction targets and actively taken measures to promote the realization of these targets. Our target are as follows:

- Reduce absolute Scope 2 GHG emissions from purchased electricity by 5% by 2030, against a 2020 baseline year.
- Increase our renewable electricity share to 15% by 2030, with a long-term goal of transitioning toward higher renewable penetration as technology and market conditions evolve.
- Improve GHG emission intensity per unit of production by 30% by 2030, against a 2025 baseline year.

The Group continuously discloses GHG emission data for Scope 1 and Scope 2, and continuously provides human support, management system construction and financial investment for GHG reduction. We invest at least US\$40,000 annually in third-party verification fees, at least US\$100,000 annually in setting up a carbon inventory system, and at least 1 million US dollars annually in purchasing renewable energy. It is expected that these investments will increase year by year in the future. In 2025, we spent approximately over US\$150,000 upgrading energy-saving machinery and purchasing carbon-reducing equipment.

Given that the Stock Exchange of Hong Kong provides relief (including reasonable information relief, capacity relief and commercial sensitivity relief), this report does not disclose Scope 3 GHG emissions data, cross-industry indicators, industry indicators, etc. for the time being. In addition, we issued a negative statement regarding internal carbon pricing and compensation. The Group commits to continuously enhancing the relevant capabilities and gradually improving them in future reports.

3 SOCIAL PERFORMANCE

3.1 Employment Policy and Compliance

The Group recognizes that human resources are a valuable asset and understands that its service quality and competitiveness are highly dependent on the contribution of its employees. Therefore, it offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retains talent. As at 31 December 2025, the Group had a workforce of about 2,188 employees in globally including Hong Kong, the PRC, and Vietnam etc., of which about 2,032 were full-time factory workers.

3 SOCIAL PERFORMANCE (Continued)

3.1 Employment Policy and Compliance (Continued)

During the Reporting Period, the employment distribution and annual turnover rate are as follows:

3.1.1 Total employees by age group

a) Employee's Age Distribution

Age	18-25	26-35	36-45	46-55	56 and above
2025					
Number of employees	81	343	743	923	98
2024					
Number of employees	50	343	772	954	112

b) Total employees by main geographical regions

	2025	2024
USA and oversea	79	79
Vietnam factory	2,032	2,081
PRC and Hong Kong	77	71

c) Total employees by gender

	2025	2024
Female	1,767	1,812
Male	421	419

In 2025, total workforce of the Group comprised 19.24% males and 80.76% females.

Environmental, Social and Governance Report

3 SOCIAL PERFORMANCE (Continued)

3.1 Employment Policy and Compliance (Continued)

3.1.1 Total employees by age group (Continued)

d) Total employees by employment type

	2025	2024
Directors	8	8
Senior Management	9	10
Office Staff	70	69
Workers	2,101	2,144

3.1.2 Annual Turnover Rate

a) Annual Turnover Rate

Age	18-25	26-35	36-45	46-55	56 and above
2025					
Percentage of turnover	39.51%	33.82%	13.86%	7.04%	22.45%
2024					
Percentage of turnover	52.00%	53.06%	21.76%	7.23%	14.29%

b) Annual Turnover rate by main geographical regions

	2025	2024
USA and oversea	15.19%	0.00%
Vietnam factory	17.37%	26.53%
PRC and Hong Kong	5.19%	0.00%

3 SOCIAL PERFORMANCE (Continued)

3.1 Employment Policy and Compliance (Continued)

3.1.2 Annual Turnover Rate (Continued)

c) Annual Turnover rate by gender

In 2025, total workforce of the Group comprised 19.24% males and 80.76% females

	2025	2024
Female	15.68%	24.67%
Male	21.85%	25.06%

d) Annual Turnover rate by employment type

	2025	2024
Directors	12.50%	0.00%
Senior Management	11.11%	30.00%
Office Staff	8.57%	23.19%
Workers	17.13%	22.76%

Salaries are reviewed and adjusted based on performance appraisals and the market trend.

Employees in the Group are entitled to year-end bonus, mandatory provident fund, medical insurance, various types of paid leave in addition to the statutory benefits such as annual leave, sick leave and maternity leave.

The Group’s mission, policies, procedures, promotion mechanism, compensation and benefits, occupational health and safety, and complaint handling are set out in the factory employee handbook which is subject to regular review to ensure compliance with latest labour laws and regulations.

As an enterprise committed to high standards of social responsibility, the Company conducts its operations in strict compliance with Social Accountability International standards, and fully safeguards the statutory rights and interests of employees. The legal framework referenced includes, but is not limited to, the local Labour Law, Employment Contract Law, Social Insurance Law, Trade Union Law and the Regulations on WorkRelated Injury Insurance under different jurisdictions, as well as other relevant provisions on labour rights and employee protection.

3 SOCIAL PERFORMANCE (Continued)

3.1 Employment Policy and Compliance (Continued)

The Company has established internal policies and management measures, including the Employee Training Manual, the Compilation of Personnel and Administrative Systems and the Compensation & Benefits Guidelines, to ensure standardised and effective employee administration across the organisation.

Relevant employment related laws and regulations having significant impact on the Company's practices have been duly observed, including but not limited to the Special Provisions on Labour Protection for Female Employees and International Standard on Protection of Women's Rights and Interests. The Company promotes diversity and equal development within the workforce and is committed to eliminating all forms of discrimination and harassment in the workplace.

Upon an employee's departure, the Company conducts an exit interview to understand the reasons for leaving and to gather feedback and recommendations. The Group has also established a comprehensive set of employee management systems compliant with national and local regulations, covering recruitment, working hours, compensation and benefits, performance appraisal and disciplinary standards. These systems provide clear guidance to employees and ensure consistent, fair and transparent people management from onboarding through daily operations and departure.

The Company, in accordance with the relevant regulations of each operating base, pays full social insurance premiums for all employees and provides supplementary benefits, including allowances for communication, transportation, meals, accommodation and travel.

3.2 Health and Safety Policy and Compliance

Due to the industrial business nature, recruitment and retention of capable staff has continued to be a challenge in the Reporting Period. The Workforce Diversity policy governs that the Group shall commit to providing a safe and healthy working environment for factory employees. The Group also advocates equal opportunity in employment practices. Employees are treated fairly in terms of compensation, promotion opportunity and training regardless of their age, gender and ethnical backgrounds. Despite that aging population is a common and long-term demographic trend in the countries where the Group operates, the Group will be able maintain a stable workforce to ensure sustainable growth.

The Company formulates and regularly updates key internal policies and procedures, including the Safety and Health Policy, the Labour Accident and Emergency Management Measures, the Company Occupational Health Management Assessment and the Environmental Management System, together with a suite of related procedural documents. The Company also continues to refine the Company Safety and Environmental Hazard Classification and Grading Management Regulations, the Company Safe Factory Rating Management Regulations, the Company Safety and Environmental Document and Record Management Measures and the Company Equipment and Facility Safety Management Regulations. These internal rules ensure that all stages, from toplevel policy design to frontline implementation, are closely connected and operate efficiently.

3 SOCIAL PERFORMANCE (Continued)

3.2 Health and Safety Policy and Compliance (Continued)

The EHS Committee serves as the primary body responsible for safety and environmental management. The Committee is chaired by the Office of the Chairman, which holds overall responsibility for safety production management. Quantitative performance indicators, including accident occurrence rate, workplace accident injury and fatality rate, and the rectification rate of safety hazards, are established and regularly reviewed. The EHS Committee periodically assesses each department's safety and health management performance, and the results are linked to the performance-based remuneration of the respective responsible personnel.

The Group regularly reviews the health and safety procedures of its factories to safeguard factory employees' well-being. Briefings, trainings, news and tips are provided to factory employees from time to time to strengthen their awareness and to refresh their knowledge and skills on using plant equipment. Providing pre-job, annual and post health examinations to employees; conducting regular internal inspection of fire safety equipment, machineries and industrial safety. providing Correct Personal Protective Equipment (PPE), such as safety glasses, mask and ear plugs, to employees and correctly worn according to the needs of the operation; performing bi-annual fire drills for all employees; ensuring first – aid kits are readily available and accessible at all times; providing allowances to workers to support their well-being. Our target is to eliminate the safety issues.

In the event of an incident, onsite personnel are required to report immediately to the responsible department head, who in turn reports promptly to the EHS Committee. The EHS Committee then coordinates the relevant departments to establish an investigation team to conduct a comprehensive investigation into the causes and course of the incident and to propose recommendations for handling and preventive measures. Based on the investigation findings, strict disciplinary and corrective actions are taken against the responsible units and individuals. The responsible unit develops and implements corrective measures, while the EHS Committee monitors and supervises the remediation process to ensure effective implementation.

During the Reporting Period, The Company has not recorded any major industrial injury cases. Over the past three years, including the year, no work-related fatalities have occurred. The Company has not committed any significant breaches of health and safety laws or regulations. The Group was not aware of any non-compliance with health and safety laws and regulations that have a significant impact on the Group relating to the provision of a safe working environment and the protection of employees from occupational hazard.

3 SOCIAL PERFORMANCE (Continued)

3.2 Health and Safety Policy and Compliance (Continued)

3.2.1 Occupational Health and Safety Data

The occupational health and safety data is as below:

	2025	2024	2023
Work related fatality	0	0	0
Work injury cases >3 days	3	1	2
Work injury cases <3 days	0	0	0

	2025	2024	2023
Lost days due to work injury	47	23	45
Total Labour working days	617,726	632,624	702,240

3.2.2 Safety Measures

Safety precautions alert are communicated to factory employees from time to time through briefings and guidelines to promote and enhance safety awareness and practices. The management will continue to make effort in strengthening the Group's occupational health and safety standard.

The Company arranges timely preemployment, periodic and exit occupational health examinations for employees and equips personnel exposed to hazardous factors with the necessary personal protective equipment according to the characteristics of their positions and regulatory requirements. For example, employees exposed to highlevel noise are provided with highgrade noisereducing earplugs or earmuffs to mitigate the risk of hearing impairment. Employees in positions involving chemical hazards are equipped with appropriate protective gear, such as respirators and dust masks.

Dedicated workshops or warehouses for hazardous materials are established, clearly marked and governed by comprehensive usage, management and supervisory protocols. Management responsibilities are clearly defined to prevent incidents such as hazardous material leakage that may compromise workplace safety.

3 SOCIAL PERFORMANCE (Continued)

3.3 Development and Training

A comprehensive range of professional training is provided by the Group to factory workers. All newly hired factory workers are required to participate in a mandatory orientation session. These sessions are designed to help workers familiarize themselves with the Group’s vision, aspirations, missions, core values, business goals, as well as to learn about product manufacturing and equipment handling procedures. In addition, regular supplementary courses are provided for employees who wish to refresh their knowledge. The Group also hosts management workshops for eligible employees.

Total number of training hours in the Reporting Period is as follows:

Training Data by Categories		Percentage of Trained	Training Hours
Overall total		2,188	8 hours/employee
By Gender	Male	14.95%	81,096
	Female	77.93%	422,840
By Employee Category	Senior management	44.44%	128
	Office Staff	45.71%	1,024
	Workers	95.00%	63,872

Compared to the previous reporting period, more resources have been allocated to training for workers. The Group will continue to enhance such training in the future.

The average training hours per employee during the year were approximately 8 hours, comparable to the prior year and in alignment with newly introduced regulations and advanced production technologies. The Company offers a wide range of internal and external training opportunities for employees at all levels, including management personnel, sales and marketing staff, operations and logistics personnel, and production employees. Training programmes cover onboarding, rolespecific qualifications, enhancement of professional knowledge and business skills, comprehensive management training, operational safety training and advanced development programmes.

The Group also promotes sequential talent development at production sites, including practical management of production operations, accumulation of audit and certification experience, competency certification and quality assurance management practice.

3 SOCIAL PERFORMANCE (Continued)

3.3 Development and Training (Continued)

The Group actively engages and motivates factory employees through various communication channels. Latest corporate news, activities and staff promotion announcements are communicated to factory employees through regular newsletters. The Group also organised various team-building activities such as annual dinner and festival-related celebration to enhance two-way communication between senior management and general staff. The Group believes that having a transparent governance system and continuous investing in human resources are essential to the success of a sustainable business.

3.4 Labour Standard

3.4.1 Child and forced labour

All employments within the Group are voluntary and any child or forced labour is specifically forbidden. In the Reporting Period, the Group operated in compliance with applicable labour laws, including those of Vietnam. A comprehensive screening process is in place pursuant to the guidelines set forth by the Group's Human Resources Department. Every job applicant is required to complete a questionnaire and provide the stipulated information which will be checked and verified by the Human Resource Department. This also allows the Group to hire suitable candidate in accordance with the job requirements while meet the candidates' expectations.

3.4.2 Measures to Prevent Child Labor and Avoid Forced Labor

The Group is committed to a workplace free of child and forced labor, implementing the following mandatory measures:

1. *Pre-Employment Verification*

- **Mandatory Documentation:** Age verification documentation is mandatory for all candidates during the employment process.
- **Document Authentication:** The Human Resource Department is responsible not only for checking documents but also for authenticating them. All HR staff are trained to spot forgeries and inconsistencies.
- **Record Keeping:** Certified copies of these documents are kept in the employee's confidential personnel file as official proof of age.

3 SOCIAL PERFORMANCE (Continued)

3.4 Labour Standard (Continued)

3.4.2 Measures to Prevent Child Labor and Avoid Forced Labor (Continued)

2. *In-Workplace Monitoring*

Ongoing monitoring is essential to ensure no employee is subjected to forced labor conditions. The Group is acts the prevention as below:

- Age Verification at Onboarding: Age documentation is re-verified on the employee's first day of work. This ensures the person reporting for duty is the same individual who was hired and whose documents were originally checked.
- Regular Workplace Audits:

Internal Audits: Regular, formal internal audits are conducted. These audits include a review of personnel files and a visual check for any young-looking workers whose files may be missing proper documentation. The audits also review employment practices against key forced labor indicators, including: Freedom of Movement, No Deposits or Fees, Control of Identity Documents, Freedom to Resign and Wage Payments.

External Audits: The Group accepts and facilitates independent third-party auditors, or auditors assigned by customers, to conduct periodic, unannounced audits of all facilities.

No incidents of child or forced labor were identified during the reporting period. We attribute this outcome to the effectiveness of our robust prevention measures, including mandatory age verification at hiring and onboarding, ongoing internal audits, and unannounced external audits, which ensure continuous compliance.

3.5 Supply Chain Management

A strict tendering process is implemented to ensure a fair and transparent mechanism is in place for procurement of all equipment, products and services. Relevant departments are responsible for preparing tender requests which are subject to the Group's quality assurance policy management program and the tender requests should be included in the annual budgeting process. Supporting documents such as testing reports shall be provided to evaluate the suppliers' performance so that the best suitable vendor can be selected. The Group also monitors the overall performance of selected suppliers by conducting audits and obtaining appropriate documentary proof to support and justify the appointment and on-going cooperation.

3 SOCIAL PERFORMANCE (Continued)

3.5 Supply Chain Management (Continued)

In the routine audit and assessment of suppliers, the Group conducted onsite audits for 20% of its suppliers during the year. As a result, 1% of suppliers were downgraded due to failure to meet requirements relating to quality management systems, qualification thresholds, applicable laws and regulations, environmental protection, labour and human rights standards, and consequently lost eligibility for new project cooperation.

3.5.1 Number of Suppliers by Geographical Region

The Group has around 700 service and product suppliers in Hong Kong, the PRC and Vietnam. The corresponding number of suppliers for Hong Kong, the Chinese mainland and Vietnam is listed as below:–

Region	Number of Suppliers
Vietnam	400
Hong Kong/PRC	250
Overseas	50

3.5.2 Suppliers' Engagement

The Group maintains good relationship with its suppliers to ensure service stability and product quality. Suppliers are assessed and selected based on objective and clear criteria including production process, quality management system, regulatory compliance, operating capacity, availability of sample for testing, packaging, procedures, price and delivery pledge to ensure the best value for money services or products are procured.

3.5.3 Identify the risks along the supply chain

The Group typically identifies environmental and social risks along the supply chain through third-party audits, supplier self-assessments, and through laboratory testing in aligning the customers' protocol. These practices involve mapping suppliers, with implementation through contracts requiring compliance and monitoring through real-time reporting tools.

3.5.4 Practices to select suppliers

The Group promotes environmentally preferable products and services when selecting suppliers, companies prioritize criteria such as recycled materials and FSC certifications.

3 SOCIAL PERFORMANCE (Continued)

3.6 Product Responsibility

To provide high quality products to customers, the Group carefully sourced its products and equipment in accordance with its standardised procurement procedures and policies. A comprehensive procurement management system is implemented by the Group to screen out undesirable products when sourcing raw materials, ingredients and quality management system in factories, etc.

3.6.1 Products and Service Related Complaints

The Group has always been keen to maintain its good brand quality. During the year, there was no significant complaint in relation to product quality and delivery.

To ensure accessibility for our global customer base, we have established multiple communication channels – including dedicated customer hotlines and product-specific websites – through which consumers can directly report any concerns. All reported cases are managed proactively and promptly, undergoing a structured process of review, evaluation, and investigation. Where necessary, we implement immediate corrective or preventive actions to ensure customer satisfaction and uphold product integrity.

During the year, there were no product recalls related to health or safety issues. Internally, our Quality Assurance team identified several defect cases, which were addressed promptly and meticulously in collaboration with our Research & Development, Engineering departments and Quality Control Team. This cross-functional approach ensures that underlying issues are resolved effectively, mitigating any potential safety risks associated with product usage.

3.6.2 Protecting Intellectual Property Rights

The Company actively protects its intellectual property, including product patents, trademarks, core technologies, domain names and packaging designs. The Company strictly complies with the intellectual property protection laws and regulations of the countries and regions in which it operates, including applicable IP laws in relevant jurisdictions.

During the year, the Group did not receive any reports or complaints of serious violations of intellectual property-related laws and regulations. The Group has established a Trademarks Register and currently holds approximately 200 trademarks and around 40 patents.

3 SOCIAL PERFORMANCE (Continued)

3.6 Product Responsibility (Continued)

3.6.3 Quality Assurance Process

The Group devotes to provide customers with innovative and high-quality products and at the same time place great emphasis on quality compliance. Considerable efforts are made to strengthen product quality and new equipment is procured to enhance its competitiveness.

To uphold the highest quality standards for our products, our manufacturing facilities for Toys and Lighting products are certified under the ISO 9001 standard. These facilities operate within a comprehensive Quality Management System (QMS) framework, which establishes robust quality assurance policies and procedures. This framework is designed to systematically address product quality and reliability while continuously improving operational efficiency.

Our manufacturing facilities are equipped with in-house laboratories accredited under ISO 17025 for product quality verification. This accreditation ensures that our testing processes, competence, and results meet internationally recognized standards, providing a robust foundation for our quality assurance activities.

All products undergo rigorous reliability testing at various production stages, strictly in accordance with international and specific country requirements – including but not limited to ASTM F963 Standard Consumer Safety Specification for Toy Safety (U.S. Toy Safety Standard) and EN71 European Toy Safety Standard Series. These comprehensive tests generate critical data that enables our engineering teams to enhance product quality and reliability across the entire value chain, from production and transportation through to storage and the full intended product lifecycle, under a wide range of simulated use conditions.

Our quality assurance process is executed through a structured multi-stage approach:

- **Incoming Materials Inspection:** All new materials are systematically evaluated against Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemical (REACH) directives, as well as our internal Restricted Substance Management Standard. This rigorous screening ensures that every component complies with required specifications and all applicable international and local standards before entering the production process.
- **In-Process Quality Audit:** Throughout the manufacturing cycle, ongoing audits are conducted to continuously refine production processes. This real-time oversight enhances both operational efficiency and product consistency, ensuring that quality is built into every unit during assembly.
- **Finished Product Verification:** Upon completion, finished products undergo final validation testing to confirm conformity with design specifications and regulatory requirements. This stage serves as the ultimate control point, ensuring that only products meeting our stringent quality and safety criteria are released for distribution.

3 SOCIAL PERFORMANCE (Continued)

3.6 Product Responsibility (Continued)

3.6.4 Consumer Data Protection, Privacy Policies and Information Security

The Group complies with the Personal Data (Privacy) Ordinance (“PDPO”) and sets out the guidelines in relation to personal data protection in the Group’s Code of Conduct. Procedures are in place to ensure that all personal data collected from employees, customers and suppliers are kept confidential. Password is required for access to computers and servers to ensure that confidential information is protected from unauthorized access. All employees are reminded to strictly adhere to the guidelines set out in the Group’s Code of Conduct to ensure personal data is collected, used, maintained, managed, stored and handled properly in compliance with the PDPO and relevant regulations.

The IT department is responsible for monitoring and managing the Group’s information security risks and authorisation framework. This function conducts regular reviews to drive key information and data security initiatives, acts as the management representative for the information security system, and brings extensive experience in strategic information security management. Key responsibilities include overseeing the Group’s overall information security, data governance and information system implementation.

3.7 Anti-Corruption and Integrity Culture

The Group is committed to upholding the core values of honesty, integrity and fairness in the daily operation. All directors and employees are required to strictly follow the Group’s Code of Conduct to prevent potential bribery, extortion and fraud.

Business Ethics and Compliance

The Company maintains a zero-tolerance policy towards bribery, fraud and commercial corruption, and strictly complies with key applicable laws and regulations in the jurisdictions where it operates, including the relevant anticorruption legislation of the People’s Republic of China and Vietnam.

To support this commitment, the Company has implemented preventive measures, including internal control systems such as the AntiCorruption and Integrity Reporting Management System, complemented by whistleblowing procedures and monitoring mechanisms, to ensure ethical and compliant business practices across its operations.

The Group encourages whistleblowing whereby any employee or third parties could report via email any concern about suspected misconduct, malpractice or irregularity, and conflict of interest in strict confidence. The Group has reinforced these messages as codified in the Group’s Code of Conduct to employees to ensure they understand the requirements. There was no related legal case concluded against the Group during the Reporting Period.

3 SOCIAL PERFORMANCE (Continued)

3.7 Anti-Corruption and Integrity Culture (Continued)

Anti-corruption Training

Employees receive standardised anticorruption and integrity training aimed at fostering sound values and professional ethics. During the year, two rounds of anticorruption training were conducted for all employees. Through these sessions, the Group reaffirmed the Company's zerotolerance stance towards unlawful conduct, enhanced employees' understanding of and participation in anticorruption initiatives, and strengthened their ability to prevent and address corrupt practices.

The Company has systematically advanced the development of an integritybased corporate culture, achieving a compliance training coverage rate of 80% and an average training duration of 8 hours per employee.

During the year, the Group did not record any significant violations related to corruption, nor were any adjudicated corruption cases reported against the Company or its employees.

3.8 Community Investment

The Group is committed to fostering harmonious relationships with the communities where it operates. The Group also recognizes that community participation is important for its long-term development. During the Reporting Period, the Group worked closely with various stakeholders to promote trade union development.

Donation

Through partnerships with local charitable organisations, the Group actively supports social welfare and healthcare programmes aimed at improving the quality of life of vulnerable households and children in difficult circumstances. During the year, the Group contributed HK\$33,000 in charitable donations towards these objectives.

4 THE FUTURE DIRECTION OF THE GROUP

The Group will continue to actively adopting energy conservation measures and carefully selecting and reviewing equipment and materials suppliers and scrutinize the product origins. In addition, more training will be provided to employees to strengthen their awareness of the possible impacts brought about by the Group's business on the environment and society. The Group will also review its resource consumption to look for improvement areas and achieve sustainable development which in turn will enhance its capability to attract talents in future.

5 REPORTING FRAMEWORK

Key Performance Index (the "KPI") Reference Table is presented below:

General Disclosures and KPIs	Description	Reference Section(s)
Environmental		
Aspect A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.1
KPI A1.1	The types of emissions and respective emissions data.	2.3
KPI A1.2		
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	2.3
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	2.3
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	2.3
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	2.3
Aspect A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.2
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	2.2
KPI A2.2	Water consumption in total and intensity.	2.2
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	2.2
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	2.2
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	2.2
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	2.4
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.4

Environmental, Social and Governance Report

5 REPORTING FRAMEWORK (Continued)

Key Performance Index (the “KPI”) Reference Table is presented below: (Continued)

General Disclosures and KPIs	Description	Reference Section(s)
Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	3.1.1
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	3.1.2
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.2
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.2
KPI B2.2	Lost days due to work injury.	3.2
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.2
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.3
KPI B3.1	The percentage of employees trained by gender and employee category.	3.3
KPI B3.2	The average training hours completed per employee by gender and employee category.	3.3
Aspect B4: Labour Standard		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	3.4
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.4
KPI B4.2	Description of steps taken to eliminate such practices when operating.	3.4

5 REPORTING FRAMEWORK (Continued)

Key Performance Index (the “KPI”) Reference Table is presented below: (Continued)

General Disclosures and KPIs	Description	Reference Section(s)
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.5
KPI B5.1	Number of suppliers by geographical region.	3.5
KPI B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	3.5
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain and how they are implemented and monitored.	3.5
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.5
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.6
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.6.1
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	3.6.1
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.6.2
KPI B6.4	Description of quality assurance process and recall procedures.	3.6.3
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.6.4
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.7
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.7
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	3.7
KPI B7.3	Description of anti-corruption training provided to directors and staff.	3.7
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	3.8
KPI B8.1	Focus areas of contribution.	3.8
KPI B8.2	Resources contributed to the focus area.	3.8

Environmental, Social and Governance Report

5 REPORTING FRAMEWORK (Continued)

Climate-related Disclosures:

Regulation	Disclosure Requirement	Reference Section(s)
Governance		
19 (a).	An issuer shall disclose the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about: (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities, including whether and how related performance metrics are included in remuneration policies	2.5
19 (b).	An issuer shall disclose the management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about: (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	2.5
Strategy		
20.	An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall: (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making	2.5
21.	An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose: (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and (b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	2.5

5 REPORTING FRAMEWORK (Continued)

Climate-related Disclosures: (Continued)

Regulation	Disclosure Requirement	Reference Section(s)
22 (a)	An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about: (i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities; (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect); (iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and (iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40;	2.5
22 (b)	An issuer shall disclose information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	2.5
23.	An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	2.5
24 (a)	An issuer shall disclose qualitative and quantitative information about how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period;	For qualitative information: 2.5
24 (b)	An issuer shall disclose qualitative and quantitative information about the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	For quantitative information: Financial Effects Relief Adopted

Environmental, Social and Governance Report

5 REPORTING FRAMEWORK (Continued)

Climate-related Disclosures: (Continued)

Regulation	Disclosure Requirement	Reference Section(s)
25 (a).	The issuer shall provide qualitative and quantitative disclosures about how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy;	For quantitative information: 2.5 For quantitative information: Financial Effects Relief Adopted
25 (b).	The issuer shall provide qualitative and quantitative disclosures about how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	Financial Effects Relief Adopted
26 (a).	An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of: (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term;	Capabilities Relief Adopted
26 (b).	An issuer shall disclose how and when the climate-related scenario analysis was carried out, including: (i) information about the inputs used, including: (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis); (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out.	Capabilities Relief Adopted

5 REPORTING FRAMEWORK (Continued)

Climate-related Disclosures: (Continued)

Regulation	Disclosure Requirement	Reference Section(s)
Risk Management		
27 (a).	An issuer shall disclose information about the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about: (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes); (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks; (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria); (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks; (v) how the issuer monitors climate-related risks; and (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period	2.5
27 (b).	An issuer shall disclose information about the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities);	2.5
27 (c).	An issuer shall disclose information about the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	2.5
Metrics and Targets		
28.	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO2 equivalent, classified as: (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions.	For Scope 1 & 2: 2.3 For Scope 3: Reasonable Information Relief Adopted
29.	An issuer shall: (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; (b) disclose the approach it uses to measure its greenhouse gas emissions including: (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)	2.3

Environmental, Social and Governance Report

5 REPORTING FRAMEWORK (Continued)

Climate-related Disclosures: (Continued)

Regulation	Disclosure Requirement	Reference Section(s)
30.	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Reasonable Information Relief Adopted
31.	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Reasonable Information Relief Adopted
32.	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	Reasonable Information Relief Adopted
33.	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	2.5
34.	An issuer shall disclose: (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	The Group did not implement internal carbon prices in decision-making during the Reporting Period.
35.	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	The Group did not include climate-related considerations which are factored into remuneration policy during the Reporting Period.
36.	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks	2.5

5 REPORTING FRAMEWORK (Continued)

Climate-related Disclosures: (Continued)

Regulation	Disclosure Requirement	Reference Section(s)
37.	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose: (a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	2.5
38.	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions	2.5
39.	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	2.5
40.	For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose: (a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target; (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and (e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	
41.	In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	Reasonable Information Relief Adopted

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 31 December 2025.

PRINCIPAL ACTIVITIES AND 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 22 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in Note 8 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2025 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on page 6 and pages 11 to 13 respectively of this annual report as well as the its sub-paragraphs headed "Environmental Protection", "Compliance with Laws and Regulations" and "Relationship with Employees, Customers and Suppliers".

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 57.2% of the Group's turnover, with the largest customer accounted for approximately 22.1%. The aggregate purchases attributable to the Group's five largest suppliers were approximately 23.9% of total purchases of the Group, with the largest supplier accounted for approximately 8.0%.

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 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 92.

During the year, the Company has paid 2024 final dividend of HK1 cent per share and the Directors have declared 2025 interim dividend of HK1 cent per share. Both 2024 final dividend and 2025 interim dividend were paid by cash. The total cash dividend paid during the year was approximately HK\$14,934,000.

The Directors now not recommend the payment of a final dividend for the year ended 31 December 2025. The remaining distribution reserves in the Company amounted to approximately HK\$7,927,000.

DONATION

During the year, the Group made charitable and other donations totalling HK\$33,000 (2024: Nil).

DIVIDEND POLICY

The Board may propose the payment of dividends, if any, with respect to the Company's shares on a per Share basis. Any dividend for a financial year shall be subject to shareholders' approval. Under the Company Law and the Company Bye-Laws, all of the Company's shareholders have equal rights to dividends and distributions. The declaration of dividends is subject to the discretion of the Board, which the Company expects will take into account one or more of the factors when considering the payment of dividends as stated in the Corporate Governance Report in this report.

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2025 are set out in Note 32 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DISTRIBUTION RESERVES

Distribution reserves of the Company at 31 December 2025, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$7,927,000 (2024: HK\$186,137,000).

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.

Report of the Directors

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 184.

DIRECTORS

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

Executive Directors:

Cheng Yung Pun (*Chairman*)

Cheng King Cheung

Cheng Kin Cheong (*appointment effective 25 August 2025*)

Yip Hiu Har

Shirley Marie Price

Independent non-executive Directors:

Loke Yu alias Loke Hoi Lam (*resignation effective 17 March 2025*)

Heng Victor Ja Wei

Mak Shiu Chung, Godfrey

Chui Ka Hing

OTHER INFORMATION OF DIRECTORS

In the last three years, Mr. Heng Victor Ja Wei (“Mr. Heng”), INED of the Company, resigned as independent non-executive director (“INED”) of Best Food Holding Company Limited (Stock Code: 1488) on 13 December 2024 (a company whose shares are listed on the Stock Exchange). Mr. Heng was appointed as an INED of TradeGo FinTech Limited (Stock Code: 8017) with effect from 8 February 2023. He was also appointed an INED of Bacui Technologies International Ltd (stock code: YYB) on 30 June 2023, a company listed on the Singapore Stock Exchange. 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)

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

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the nine Directors are as follows:

Name	Fees HK\$'000	Salary HK\$'000	Employer's contribution to a retirement benefit scheme	Total HK\$'000
			HK\$'000	
Executive Directors				
Cheng Yung Pun	–	0	0	0
Cheng King Cheung	–	2,791	150	2,941
Cheng Kin Cheong (<i>note 1</i>)	–	357	7	364
Yip Hiu Har (<i>note 2</i>)	–	3,250	18	3,268
Shirley Marie Price (<i>note 3</i>)	–	4,044	137	4,181
Independent Non-executive Directors				
Loke Yu alias Loke Hoi Lam (<i>note 4</i>)	23	–	–	23
Mak Shiu Chung, Godfrey	110	–	–	110
Heng Ja Wei, Victor	110	–	–	110
Chui Ka Hing	110	–	–	110
	353	10,442	312	11,107

Note 1: Appointed with effect from 25 August 2025

Note 2: Ms. Yip Hiu Har was appointed as the chief executive on 15 April 2021 after the redesignation of Mr. Chen Wei Qing from chief executive to chief operating officer of the Company

Note 3: Appointed with effect from 12 March 2024

Note 4: Resigned with effect from 17 March 2025

DIRECTORS' SERVICE CONTRACTS

In accordance with clause 99 of the Bye-Laws of the Company, Ms. Yip Hiu Har, Ms. Shirley Marie Price and Mr. Heng Victor Ja Wei who have been longest in office since their last elections and will retire by rotation at the AGM. Moreover, in accordance with clause 91 of the Bye-Laws, a newly appointed director is required to be retired and re-elected at the AGM. Accordingly, Mr. Cheng Kin Cheong, who was appointed as an executive Director effective on 25 August 2025, will be eligible for re-election at the AGM.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS (Continued)

The retiring directors have indicated that they will offer themselves for re-election at the AGM and they are eligible to do so. Separate resolution will be proposed at 2026 annual general meeting for the re-election of Mr. Heng Victor Ja Wei, being INED for more than 9 years.

The term of office of each Director as specified in the service letter shall not exceed three years or the period up to his retirement by rotation in accordance with the Company's Bye-laws and the Listing Rules, whenever is earlier.

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 independent.

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 38 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Directors shall be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, liabilities and expenses which they may incur or sustain in or about the execution of the duties in their respective offices or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Directors.

During the year and up to the date of this report, the Company has in force indemnity provisions as permitted under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors of the Company.

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

As at 31 December 2025, 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:

(a) 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	Corporate Interests <i>(Note)</i>	Other Interests	Total	% of the issued share capital of the Company
Cheng Yung Pun (<i>Director</i>)	Long position	–	–	538,573,569	–	538,573,569	71.22%
Cheng King Cheung (<i>Director</i>)	Long position	22,112,000	–	–	–	22,112,000	2.92%
Yip Hiu Har (<i>Director and Chief Executive Officer</i>)	Long position	350,000	–	–	–	350,000	0.05%
Shirley Marie Price (<i>Director</i>)	Long position	88,000	–	–	–	88,000	0.01%

Note:

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.

Report of the Directors

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Other than as disclosed in the section “Directors’ and Chief Executives’ Interests and/or 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 31 December 2025, 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 the shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest (Note 1)	Beneficial owner	538,573,569	71.22%

Note:

- (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 31 December 2025.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has adopted the Corporate Governance Code under Appendix C1 to the Listing Rules on the Stock Exchange (the “HKEx Code”). None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the HKEx Code.

Particulars of the Company’s corporate governance practices are set out in the Corporate Governance Report on pages 17 to 36 of this Annual Report.

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.

AUDITOR

At the Special General Meeting of the Company held on 24 October 2024, Crowe (HK) CPA Limited ("Crowe (HK)"), was appointed as the new auditor of the Company to fill the casual vacancy following the retirement of Messers. RSM Hong Kong Limited ("RSM") at the annual general meeting of the Company held on 8 August 2024. Details of the change and the appointment of the auditors were set out in the announcements of the Company dated 15 August 2024 and 24 September 2024.

Saved as disclosed above, the Company had not changed its external auditors in any of the preceding three years. The consolidated financial statements of the Company for the financial years 2024 and 2025 were audited by Crowe (HK) whereas the consolidated financial statements of the Company for the financial year 2023 was audited by RSM.

A resolution will be proposed at the forthcoming annual general meeting (the "AGM") of the Company to re-appoint Crowe (HK), who will retire at the AGM and, being eligible offer themselves for re-appointment, as auditors of the Company.

By order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 30 March 2026

Independent Auditor's Report



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF MATRIX HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Matrix Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 92 to 183, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which indicates that as at 31 December 2025, the Group had cash and bank balances of HK\$54,270,000, while total lease liabilities, amounts due to directors and other borrowings amounted to HK\$199,179,000, of which HK\$113,258,000 was classified as current liabilities. In addition, the Group incurred a loss of HK\$163,144,000 and net cash outflows from operating activities of HK\$60,387,000 during the year ended 31 December 2025. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of property, plant and equipment and right-of-use assets</p>	<p>Our procedures in relation to this matter include:</p>
<p>Refer to notes 4, 19 and 20 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • Obtaining an understanding of process of the Group's impairment assessment and the relevant key controls over the assessment of impairment of property, plant and equipment and right-of-use assets; • Obtaining the recoverable amount calculation of the cash-generating units prepared by the management and checking its mathematical accuracy; • Assessing the appropriateness of the key estimations and assumptions adopted in the discounted cash flows model for impairment assessments, including revenue growth rates, gross margin and discount rate applied; • Evaluating the reasonableness of source data, on a sample basis, to supporting evidence, such as approved budgets; • Performing retrospective review of cash flow projection made by management by comparing the historical analysis made against the actual performance; and • Performing sensitivity analysis on the assumptions made by the management in determining the value in use of the cash-generating units.
<p>Management engaged an independent valuer to determine the recoverable amount of property, plant and equipment and right-of-use assets related to the manufacture and sale of toys and lighting products (collectively referred to as the "Toys and Lighting Related Assets") because there were indicators of impairment. The recoverable amounts have been determined based on a value in use calculation which requires management to estimate the future cash flows expected to arise from the cash-generating units, using discount cash flow model to calculate the present value. Key assumptions used in the calculation included the estimated revenue growth rates and discount rate.</p>	
<p>Based on the value in use calculation, an impairment loss totalling HK\$42,817,000 on property, plant and equipment and right-of-use assets was recognised during the year.</p>	
<p>In view of the significance of these balances to the consolidated financial statements, and the significant management judgement and estimation uncertainty associated with the recoverable amount assessment of the Toys and Lighting Related Assets, this is considered as a key audit matter.</p>	

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of inventories</p> <p>Refer to notes 4 and 23 to the consolidated financial statements.</p> <p>As at 31 December 2025, the carrying amount of inventories relating to manufacturing segment amounted to HK\$113,779,000 which represented 17.9% of the Group's total assets.</p> <p>We identified valuation of inventories related to manufacturing segment as a key audit matter due to the use of judgment and estimates by management in identifying obsolete and slow-moving inventories and estimating the allowance for inventories.</p> <p>Obsolete and slow-moving inventories were identified by management based on ageing analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the future selling prices, current market conditions and estimated costs necessary to make the sale.</p>	<p>Our procedures in relation to the valuation of inventories related to manufacture segment included:</p> <ul style="list-style-type: none">• Obtaining an understanding of how allowance for inventories is estimated by the management;• Obtaining an understanding of the key controls of the Group in relation to identification of obsolete and slow-moving inventories and preparation of ageing analysis of inventories;• Testing the ageing analysis of the inventories, on a sample basis, to the source documents including goods receipt notes;• Inquiring the management about any slow-moving or obsolete inventories and comparing their representations with actual transactions and utilization subsequent to the end of the reporting period; and• Comparing the carrying amount of inventories, on a sample basis, to their realisable value through review of sales subsequent to the end of the reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 30 March 2026

Lam Cheung Shing

Practising Certificate Number P03552

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	7	483,219	456,859
Cost of sales		(352,197)	(304,493)
Gross profit		131,022	152,366
Other income	9	1,110	11,319
Other gains and losses	10	36,812	4,559
Distribution and selling costs		(146,228)	(181,074)
Administrative expenses		(132,441)	(160,096)
Research and development costs		(2,575)	(3,666)
Impairment loss on property, plant and equipment		(1,658)	(13,041)
Impairment loss on intangible assets		–	(41,822)
Impairment loss on right-of-use assets		(41,159)	(38,284)
Impairment loss on financial assets		(770)	(1,738)
Loss from operations		(155,887)	(271,477)
Finance costs	11	(6,275)	(4,473)
Loss before tax	12	(162,162)	(275,950)
Income tax expense	16	(982)	(22,781)
Loss for the year		(163,144)	(298,731)
Other comprehensive expense for the year, net of tax <i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(29,101)	(23,908)
Total comprehensive expense for the year		(192,245)	(322,639)
(Loss)/profit for the year attributable to:			
Owners of the Company		(163,602)	(298,573)
Non-controlling interests		458	(158)
		(163,144)	(298,731)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(191,891)	(322,692)
Non-controlling interests		(354)	53
		(192,245)	(322,639)
		HK cents	HK cents
Loss per share:			
Basic and diluted	18	(21.6)	(39.5)

The accompanying notes on pages 98 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2025

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	19	73,992	81,283
Right-of-use assets	20	35,916	38,995
Intangible assets	21	–	–
Deposits	25	101,096	109,573
		211,004	229,851
Current assets			
Inventories	23	257,181	307,751
Contract assets	28	3,485	–
Trade and bills receivables	24	87,196	77,591
Prepayment, deposits and other receivables	25	22,022	19,296
Income tax recoverable		1,939	1,939
Fixed bank deposits with maturity over three months	26	–	899
Bank and cash balances	26	54,270	56,834
		426,093	464,310
Current liabilities			
Trade payables	27	47,462	27,007
Accruals and other payables	27	83,548	77,421
Contract liabilities	28	7,864	3,471
Bank and other borrowings	29	9,016	5,242
Lease liabilities	30	17,559	10,552
Amounts due to directors	38(c)	86,683	2,904
Income tax payable		9,497	9,497
		261,629	136,094
Net current assets		164,464	328,216
Total assets less current liabilities		375,468	558,067

Consolidated Statement of Financial Position

At 31 December 2025

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Non-current liabilities			
Lease liabilities	30	85,921	61,746
Deferred tax liabilities	31	2,354	1,759
		88,275	63,505
NET ASSETS			
Capital and reserves			
Share capital	32	75,620	75,620
Reserves	34	224,378	431,393
Equity attributable to owners of the Company		299,998	507,013
Non-controlling interests		(12,805)	(12,451)
TOTAL EQUITY		287,193	494,562

The consolidated financial statements on pages 92 to 183 were approved by the Board of Directors on 30 March 2026 and were signed on its behalf by:

Mr. Cheng Yung Pun
Director

Ms. Yip Hiu Har
Director

The accompanying notes on pages 98 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Shareholders' contribution	Other reserve	Translation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(note 34 (b)(i))	(note 34 (b)(ii))		(note 34 (b)(iii))				
At 1 January 2024	75,620	189,090	21,028	(150)	(68,097)	646,243	863,734	(12,504)	851,230
Changes in equity for 2024									
Loss for the year	-	-	-	-	-	(298,573)	(298,573)	(158)	(298,731)
Other comprehensive income/(expense)	-	-	-	-	(24,119)	-	(24,119)	211	(23,908)
Total comprehensive income/(expense) for the year	-	-	-	-	(24,119)	(298,573)	(322,692)	53	(322,639)
Transfer to retained profits	-	-	(21,028)	-	-	21,028	-	-	-
Dividend paid (note 17)	-	-	-	-	-	(34,029)	(34,029)	-	(34,029)
At 31 December 2024	75,620	189,090	-	(150)	(92,216)	334,669	507,013	(12,451)	494,562
At 1 January 2025	75,620	189,090	-	(150)	(92,216)	334,669	507,013	(12,451)	494,562
Changes in equity for 2025									
(Loss)/profit for the year	-	-	-	-	-	(163,602)	(163,602)	458	(163,144)
Other comprehensive expense	-	-	-	-	(28,289)	-	(28,289)	(812)	(29,101)
Total comprehensive expense for the year	-	-	-	-	(28,289)	(163,602)	(191,891)	(354)	(192,245)
Dividend paid (note 17)	-	-	-	-	-	(15,124)	(15,124)	-	(15,124)
At 31 December 2025	75,620	189,090	-	(150)	(120,505)	155,943	299,998	(12,805)	287,193

The accompanying notes on pages 98 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(162,162)	(275,950)
Adjustments for:		
(Gain)/loss on disposal of property, plant and equipment	(18,337)	322
Gain on dissolution of a subsidiary	–	(13,000)
Interest income	(149)	(1,106)
Finance costs	6,275	4,473
Depreciation of property, plant and equipment	20,414	31,612
Depreciation of right-of-use assets	11,073	21,321
Write-down/(reversal of write-down) of inventories	22,999	(1,015)
Impairment loss on property, plant and equipment	1,658	13,041
Impairment loss on intangible assets	–	41,822
Impairment loss on right-of-use assets	41,159	38,284
Impairment loss on financial assets	770	1,738
Gain on early termination of a lease	(2,184)	(198)
Unrealised exchange differences	(17,742)	9,399
	(96,226)	(129,257)
Change in working capital:		
Decrease in inventories	22,414	24,809
(Increase)/decrease in trade receivables	(10,094)	32,991
Increase in contract assets	(3,485)	–
Decrease in prepayments, deposits and other receivables	754	4,823
Increase/(decrease) in trade payables	20,553	(2,962)
Increase in accruals and other payables	1,641	9,872
Increase/(decrease) in contract liabilities	4,393	(6)
Cash used in operations	(60,050)	(59,730)
Income tax paid	(337)	(1,029)
Net cash used in operating activities	(60,387)	(60,759)
INVESTING ACTIVITIES		
Interest income	149	1,106
Decrease/(increase) in bank deposits with maturity over three months	873	(899)
Proceeds from disposals of property, plant and equipment	16,627	11,529
Purchase of property, plant and equipment	(16,686)	(25,024)
Refund of the deposit paid for acquisition of a subsidiary	6,053	3,710
Net cash generated from (used in) investing activities	7,016	(9,578)

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
FINANCING ACTIVITIES		
Proceeds from new bank borrowings	2,858	3,671
Proceeds from other borrowings	9,016	–
Interest paid on bank borrowings	(57)	(220)
Interest paid on lease liabilities	(6,218)	(4,253)
Advances from a director	87,593	2,904
Repayment to directors	(3,968)	–
Dividends paid to owners	(14,934)	(34,029)
Repayment of bank borrowings	(8,100)	(2,663)
Repayment of lease liabilities	(16,344)	(17,309)
Net cash generated from (used in) financing activities	49,846	(51,899)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,525)	(122,236)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	56,834	181,202
Exchange differences on cash and cash equivalents	961	(2,132)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	54,270	56,834
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	54,270	56,834

The accompanying notes on pages 98 to 183 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL INFORMATION

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

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

In the opinion of the directors of the Company, as at 31 December 2025, Smart Forest Limited, a company incorporated in the British Virgin Islands (“BVI”), is the immediate and ultimate parent; and Mr. Cheng Yung Pun, who is also the chairman and executive director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collectively term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2025, the Group had cash and bank balances of HK\$54,270,000, while total lease liabilities, amounts due to directors and other borrowings amounted to HK\$199,179,000, of which HK\$113,258,000 was classified as current liabilities. In addition, the Group incurred a loss of HK\$163,144,000 and net cash outflows from operating activities of HK\$60,387,000 for the year then ended. These conditions indicate the existence of liquidity challenges and a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern that required careful assessment by the directors.

In evaluating the appropriateness of the going concern basis, the directors have given due consideration to the Group’s future liquidity position and performance, including available sources of financing, for a period of at least twelve months from 31 December 2025. This assessment incorporates the following key plans and measures adopted to mitigate liquidity pressures and enhance cash flows:

- i) Subsequent to the reporting period, in February 2026, the Group drawn down bank loans of approximately HK\$5 million under secured banking facilities of approximately HK\$11 million from a financial institution for its operations. The directors intend to negotiate renewal of these banking facilities upon their maturity at the end of November 2026.

2. BASIS OF PREPARATION (Continued) Going Concern (Continued)

- ii) The Group continues to pursue cost control measures and resource optimisation initiatives aimed at reducing operating and administrative expenses while maintaining disciplined capital expenditure. Furthermore, the directors anticipate revenue growth through the securing of additional customer orders, with this projection supported by discussions and non-binding indications of interest from existing and prospective customers.
- iii) In January 2025, the Company entered into a loan agreement with Mr. Cheng Yung Pun (“Mr. Cheng”), the major shareholder and a director of the Company pursuant to which Mr. Cheng agrees to make available to the Company, and the Company agrees to borrow from Mr. Cheng, at its sole discretion, provide loan advances to the Company from time to time upon the request by the Company. Mr. Cheng shall have no obligation to make any advance, and each advance shall be subject to Mr. Cheng’s prior consent. In March 2025, Mr. Cheng entered into another loan agreement with a subsidiary of the Group pursuant to which Mr. Cheng granted a loan facility totalling VND33,482,000,000 (equivalent to HK\$9,918,000) to the subsidiary. Up to 31 December 2025, the Group received advances of approximately HK\$84,593,000 from Mr. Cheng, for procurement of raw materials and working capital purposes. Mr. Cheng has confirmed that he will not demand repayment of these advances until the Company has sufficient financial resources to do so without adversely impacting its business operations and ongoing viability.

The directors have reviewed the Group’s cash flow projections covering at least twelve months from 31 December 2025, including the underlying assumptions and the mitigating actions described above. Based on these projections, and absent unforeseeable circumstances, the directors consider that, assuming successful execution of the plans and measures outlined, the Group will maintain sufficient working capital to fund its operations and meet its financial obligations as they fall due over this period.

A significant component of these forecasts is the projected increase in sales revenue, expected primarily from incremental customer orders based on ongoing customer discussions and non-binding indications of interest. The directors view these discussions as providing a reasonable foundation for the anticipated growth. Nevertheless, this element involves substantial estimation uncertainty, as realisation depends on factors beyond the Group’s control, such as customers’ final decisions to commit, market and economic conditions, competitive environment, and the actual timing and scale of orders. Consequently, actual results could differ materially from those forecasted.

The directors’ assessment of the going concern basis required significant judgement, particularly regarding the achievability and timing of the sales growth projections, the extent of secured customer commitments, and the reliability and effectiveness of the other mitigating plans and measures. The directors are satisfied that, having regard to the foregoing, it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2025 on a going concern basis.

Should the Group fail to successfully implement the aforementioned plans and measures, adjustments would be required to reduce the carrying amounts of assets to their recoverable amounts, to recognise any additional liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(a) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Financial Instruments and HKFRS 7, Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRS 9, Financial Instruments and HKFRS 7, Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective (Continued)

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of HKFRS 18) and HKFRS7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. Additional disclosures required for the Group's MPMs will be disclosed in a separate note to the consolidated financial statements.

Except for the abovementioned changes in presentation and disclosure, these pronouncements are not expected to have material impacts on the results or the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the consolidated financial statements is the historical cost.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities 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 to direct the activities of the entity.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Basis of consolidation (Continued)

All intragroup balances, transactions and unrealised profits arising from intra-group transactions are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred where necessary, to ensure consistency with the policies adopted by the Group, adjustments are made to the financial statements of subsidiaries.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination (other than under common control) and goodwill

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Business combination (other than under common control) and goodwill (Continued)

Business combinations (Continued)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employees Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Business combination (other than under common control) and goodwill (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Business combination (other than under common control) and goodwill (Continued)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in an annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(c) Foreign currency translation

(i) 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 Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group's operations that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities of the Group's operations are translated at the closing rate at the end of each reporting period;
- Income and expenses are translated at average exchange rates for the period (unless exchange rate fluctuate significantly during that period, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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.

(d) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment (other than construction in progress) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is recognised so as to write-off their costs less their residual values over the estimated useful lives, using the straight-line method. The useful lives are 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 residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents building for production, supply or administrative purpose and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Property, plant and equipment (Continued)

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value and right-of-use assets related to interests in leasehold land where the interests in the land is held as inventory are carried at the lower of cost and net realisable value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leases (Continued)

(i) The Group as a lessee (Continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

The Group enters into arrangements to sublease an underlying asset to a third party, while the Group retains the primary obligation under the original lease. In these arrangements, the Group acts as both the lessee and lessor of the same underlying asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately, including patents, are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives, including trademark, that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project), including TV programs, is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination, including customer base, are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

i) Toys and lighting operations

Cost of inventories is determined using the first-in, first-out basis. The cost of finished goods comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

ii) Leasehold land held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(h) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs and are reclassified to receivables when the right to the consideration becomes unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(i) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income are presented in other income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. All other changes in the carrying amount of these debt instruments/receivables are recognised in other comprehensive income and accumulated under the reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments/receivables. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, and is transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘Other gains and losses’ line item as part of the net foreign exchange gains/(losses);
- For debt instruments/receivables measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument/receivables are recognised in profit or loss in the ‘Other gains and losses’ line item as part of the net foreign exchange gains/(losses). As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘Other gains and losses’ line item as part of the gain/(loss) from changes in fair value of financial assets;
- For equity instruments measured at FVTOCI exchange differences are recognised in other comprehensive income in the revaluation reserve.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument/receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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 reporting period.

(l) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

For the sale of toys and lighting products is recognised at a point in time, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For the sales of toys and lighting products is recognised over time, revenue is recognised when the customer simultaneously receives and consumes the benefits of the Group's performance in processing each transaction as and when each transaction is processed; the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the output method. For the output method, the revenue is recognised based on direct measurement of the value of goods to the customer completed to date relative to the total promised goods under the contract. The performance completed based on the units produced and also the stage of goods-in-process under the contract.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Revenue and other income (Continued)

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Income from subleasing of right-of-use assets is recognised based on the straight-line method over the lease terms.

Royalty income is recognised on accrual basis in accordance with the substance of the relevant agreements.

(m) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits, and when the Group recognises any related restructuring costs.

(n) Borrowing costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(o) Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(o) Taxation (Continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity by the same taxation authority.

(p) Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right of- use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(p) Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (Continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade and bills, receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default;
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amount.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation;
or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward looking information including time value of money where appropriate, that is available without undue cost or effort.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flow used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables/contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

(s) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) **Estimated useful lives and residual values of property, plant and equipment**

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the property, plant and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation expenses would be significantly affected by the useful lives and residual values of the property, plant and equipment as estimated by management.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgements in applying accounting policies (Continued)

(ii) Income taxes and deferred taxes

The Group is subject to income taxes in various jurisdictions. Significant 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and tax charges in the period in which such estimates is changed.

As at 31 December 2025, the deferred tax liabilities were HK\$2,354,000 (2024: HK\$1,759,000) and the income tax recoverable and payable were HK\$1,939,000 (2024: HK\$1,939,000) and HK\$9,497,000 (2024: HK\$9,497,000) respectively.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(i) Impairment of property, plant and equipment and right-of-use assets (Continued)

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2025 were HK\$73,992,000 (2024: HK\$81,283,000) and HK\$35,916,000 (2024: HK\$38,995,000), respectively. These balances are stated after recognising an impairment loss on property, plant and equipment of HK\$1,658,000 (2024: HK\$13,041,000) and on right-of-use assets of HK\$41,159,000 (2024: HK\$38,284,000) during the year.

(ii) Net realizable value of inventories

Net realizable 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 the end of each reporting period.

As at 31 December 2025, the carrying amount of inventories were HK\$257,181,000 (2024: HK\$307,751,000). This balance is stated after write-down of HK\$22,999,000 (2024: reversal of write-down of HK\$1,015,000) during the year.

(iii) Impairment of trade and bills receivables and contract assets

The Group's management determines the provision for impairment of trade and bills receivables and contract assets on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historically observed default rates over the expected lives of the trade and bills receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

As at 31 December 2025, the carrying amounts of trade and bills receivables and contract assets were HK\$87,196,000 (net of allowance for doubtful debts of HK\$7,742,000) (2024: HK\$77,591,000 (net of allowance for doubtful debts of HK\$7,191,000)) and HK\$3,485,000 (net of allowance for doubtful debts of HK\$Nil) (2024: HK\$ Nil), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Impairment of deposits paid for acquisition of an subsidiary

Management estimated the recoverable amount of the Group's deposits paid for acquisition of a subsidiary based on the fair value of the land plots to be obtained by such target company. Independent external valuations were obtained in order to support management's estimates of the fair value less cost of disposal of the land plots. The valuations are dependent on certain key assumptions that require significant management judgments including the adjustment factors used on comparable properties. Any changes to these adjustment factors would result in further impairment losses.

As at 31 December 2025, the carrying amount of deposits paid for acquisition of a subsidiary was HK\$96,072,000 (2024: HK\$105,099,000).

(v) Impairment of intangible assets

Determining whether goodwill and trademark are impaired requires an estimation of the recoverable amount of the relevant cash-generating units to which they have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and an appropriate discount rate in determining their present value. Where actual future cash flows are lower than expected, or where changes in facts and circumstances result in downward revisions of future cash flows or upward revisions of the discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill and trademarks as at 31 December 2025 and 2024 was HK\$Nil after an accumulative impairment loss of HK\$146,601,000 was recognised.

6. FINANCIAL RISK MANAGEMENT

(a) Foreign currency risk

The Group is exposed to currency risk primarily through receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollar (“US\$”) and Renminbi (“RMB”). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group’s exposure at the end of the reporting period to the currency risk arising from recognised assets or liabilities denominated in US\$ and RMB other than the functional currency of the entity to which they relate:

	Exposure to foreign currencies			
	Assets		Liabilities	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
US\$	61,686	51,180	27,016	33,185
RMB	160	156	13,291	1,036
	61,846	51,336	40,307	34,221

Sensitivity analysis

The following table indicates the instantaneous change in the Group’s loss after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Increase/ (decrease) in foreign exchange rates	2025		2024	
		Increase/ (decrease) in loss after tax HK\$'000	Increase/ (decrease) in retained profits HK\$'000	Increase/ (decrease) in loss after tax HK\$'000	Increase/ (decrease) in retained profits HK\$'000
		US\$	0.5%	(173)	173
	(0.5%)	173	(173)	90	(90)
RMB	5%	657	(657)	44	(44)
	(5%)	(657)	657	(44)	44

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the respective notes to the consolidated financial statements. The Group's exposure to credit risk is mainly related to its contractual cash flows of trade receivables, deposits and other receivables, and bank balances.

The Group's bank deposits are placed with banks and financial institutions which are highly reputable with multinational presences. Investment transactions are executed with financial institutions with sound credit ratings and the Group does not expect any significant counterparty risk. The directors of the Company do not expect any losses from nonperformance by these banks and financial institutions as they have no default history in the past.

For trade and bills receivables and contract assets

The Group measures loss allowances for trade and bills receivable and contract assets at an amount equal to lifetime ECLs which is calculated using a provision matrix. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors of the Company have delegated a team to be responsible for the determination of credit limit and credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Individual credit evaluation is performed on all customers requiring credit over a certain amount, and using a collective assessment for the remaining balances. These evaluations focus on the customer's past history of making payment when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

As at 31 December 2025, the Group had concentration of credit risk on trade and bills receivables and contract assets as 64% (2024: 64%) of its trade and bills receivables and contract assets were due from the five largest customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade and bills receivables and contract assets (Continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets at 31 December 2025:

	Trade and bills receivables			Contract assets	
	Current HK\$'000	Not more than 90 days past due HK\$'000	More than 90 days past due HK\$'000	Total HK\$'000	Current HK\$'000
At 31 December 2025					
Gross carrying amount					
– Individually assessed					
• Company A	14,474	505	282	15,261	–
• Company B	2,164	–	337	2,501	–
• Company C	3,706	4,159	308	8,173	–
• Company D	23,470	–	–	23,470	–
• Company E	6,191	889	9	7,089	–
	50,005	5,553	936	56,494	
– Collectively assessed	26,023	5,705	2,081	33,809	3,485
– Specifically assessed	–	–	4,635	4,635	–
Total	76,028	11,258	7,652	94,938	3,485
Expected loss rate					
– Individually assessed					
• Company A	0.04%	0.11%	0.15%		–
• Company B	0.08%	0.17%	0.30%		–
• Company C	0.04%	0.11%	0.15%		–
• Company D	0.04%	0.11%	0.15%		–
• Company E	0.08%	0.17%	0.30%		–
– Collectively assessed	4.22%	8.42%	72%		0%
– Specifically assessed	–	–	100%		–
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss allowance					
– Individually assessed					
• Company A	6	1	1	8	–
• Company B	2	–	1	3	–
• Company C	2	5	1	8	–
• Company D	9	–	–	9	–
• Company E	5	2	–	7	–
	24	8	3	35	–
– Collectively assessed	1,098	480	1,494	3,072	–
– Specifically assessed	–	–	4,635	4,635	–
Total	1,122	488	6,132	7,742	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade and bills receivables and contract assets (Continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade and bills receivables at 31 December 2024:

	Trade and bills receivables			Total HK\$'000
	Current HK\$'000	Not more than 90 days past due HK\$'000	More than 90 days past due HK\$'000	
At 31 December 2024				
Gross carrying amount				
– Individually assessed				
• Company A	11,932	3,146	566	15,644
• Company B	6,932	–	337	7,269
• Company C	5,907	–	199	6,106
• Company D	21,134	1,938	33	23,105
	45,905	5,084	1,135	52,124
– Collectively assessed	18,276	8,501	1,022	27,799
– Specifically assessed	–	–	4,859	4,859
Total	64,181	13,585	7,016	84,782
Expected loss rate				
– Individually assessed				
• Company A	0.10%	0.20%	0.34%	
• Company B	0.08%	0.18%	0.35%	
• Company C	0.06%	0.13%	0.17%	
• Company D	0.02%	0.03%	0.14%	
– Collectively assessed	3.90%	9.60%	75.00%	
– Specifically assessed	–	–	100.00%	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss allowance				
– Individually assessed				
• Company A	12	6	2	20
• Company B	6	–	1	7
• Company C	4	–	1	5
• Company D	4	1	–	5
	26	7	4	37
– Collectively assessed	712	816	767	2,295
– Specifically assessed	–	–	4,859	4,859
Total	738	823	5,630	7,191

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

For trade and bills receivables and contract assets (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables and contract assets, under the simplified approach.

	Lifetime ECL (individually and collectively assessment – not credit-impaired) HK\$'000	Lifetime ECL (Specifically assessment – credit-impaired) HK\$'000	Total HK\$'000
At 1 January 2024	1,998	3,558	5,556
Transfer to credit impaired	(1,363)	1,363	–
Write-off	–	(62)	(62)
Loss allowance recognised	1,738	–	1,738
Exchange differences	(41)	–	(41)
At 31 December 2024 and 1 January 2025	2,332	4,859	7,191
Transfer to credit impaired	(139)	139	–
Write-off	–	(139)	(139)
Loss allowance recognised (reversed)	922	(152)	770
Exchange differences	(8)	(72)	(80)
At 31 December 2025	3,107	4,635	7,742

Other financial assets at amortised costs

The Group applies the expected credit loss model on other financial assets at amortised cost. Impairment loss on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Management considered, among other factors, analysed historical pattern and concluded that the expected credit loss for other financial assets at amortised cost to be immaterial as the credit risk is assessed as low.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

The Group's policy is to monitor liquidity requirements regularly to ensure that it maintains sufficient cash and cash equivalents and has available funding through adequate amount of credit facilities to meet its working capital requirements. The directors have given careful consideration to its available liquid assets and sources of financing in assessing whether the Group will have sufficient financial resources to support its operation. The directors consider that there are sufficient resources for the Group to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2025.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year or on demand HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
At 31 December 2025						
Trade payables	47,462	–	–	–	47,462	47,462
Accruals and other payables	83,548	–	–	–	83,548	83,548
Amounts due to directors	86,683	–	–	–	86,683	86,683
Bank and other borrowings (Note)	9,024	–	–	–	9,024	9,016
Lease liabilities	23,198	23,348	55,037	38,284	139,867	103,480
	249,915	23,348	55,037	38,284	366,584	330,189
At 31 December 2024						
Trade payables	27,007	–	–	–	27,007	27,007
Accruals and other payables	77,421	–	–	–	77,421	77,421
Amount due to a director	2,904	–	–	–	2,904	2,904
Bank and other borrowings (Note)	5,323	–	–	–	5,323	5,242
Lease liabilities	15,356	13,439	37,906	43,303	110,004	72,298
	128,011	13,439	37,906	43,303	222,659	184,872

Note: Bank and other borrowings with a repayment on demand clause are included in the "less than 1 year or on demand" in the above maturity analysis. As at 31 December 2025 and 2024, the total undiscounted principal amounts of these bank and other borrowings amounted to approximately HK\$Nil and HK\$5,242,000 respectively. The directors of the Company do not believe it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank and other borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group's main interest rate risk arises from bank borrowings, bank deposits and cash at bank with variable rate, which expose the Group to cash flow interest rate risk. The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's fair value interest rate risks is mainly arising from fixed bank deposits and other borrowings which bear interests at fixed interest rates.

Bank borrowings, bank deposits and cash at bank are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank borrowings and bank deposits are insignificant.

(e) Categories of financial instruments

	2025 HK\$'000	2024 HK\$'000
Financial assets:		
Financial assets at amortised cost		
Trade and bills receivables	87,196	77,591
Rental and other deposits	6,090	7,184
Other receivables	4,265	3,054
Consideration receivable for disposal of property, plant and equipment	1,710	–
Fixed bank deposits with maturity over three months	–	899
Bank and cash balances	54,270	56,834
	153,531	145,562
Financial liabilities:		
Financial liabilities at amortised cost		
Trade payables	47,462	27,007
Accruals and other payables	83,548	77,421
Bank and other borrowings	9,016	5,242
Lease liabilities	103,480	72,298
Amounts due to directors	86,683	2,904
	330,189	184,872

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(g) Capital management

The Group manages its capital to ensure its ability to continue as a going concern while maximising return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group is the total equity. The Group manages its capital structure by making adjustments in response to changing economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to owners and issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024. The directors monitor the Group's liquidity position to ensure that it maintains sufficient financial resources to meet its liquidity requirements in short and long terms.

The Group monitors capital using the gearing ratio, calculated as total debts divided by total equity. The Group's policy is to maintain the gearing ratio at an appropriate level.

	2025 HK\$'000	2024 HK\$'000
Total debts		
Bank and other borrowings	9,016	5,242
Lease liabilities	103,480	72,298
Amounts due to directors	86,683	2,904
	199,179	80,444
Total equity	287,193	494,562
Gearing ratio	69.4%	16.3%

The increase in the gearing ratio from 16.3% to 69.4% in 2025 was primarily attributable to a substantial increase in amounts due to directors for working capital purposes and a decrease in total equity resulting from an operating loss for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

7. REVENUE

(a) Disaggregation of revenue

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major product lines:		
– Manufacturing and trading of toys	449,766	439,957
– Manufacturing and trading of lighting products	33,453	16,902
	483,219	456,859
Timing of recognition:		
– At a point in time	475,734	456,859
– Over time	7,485	–
	483,219	456,859

(b) Performance obligations

Sales of toys and lighting products are either recognised at a point in time once control of the products has been transferred to the customers, specifically when customers obtain control through their ability to direct the use of and obtain substantially all the benefits from the products, or recognised as a performance obligation satisfied over time. The normal credit term is 14 to 90 days upon delivery.

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has no revenue contract with an original expected duration of more than one year; thus, management has applied the practical expedient under HKFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied as at the end of the reporting period.

(d) Revenue recognised in relation to contract liabilities

	2025 HK\$'000	2024 HK\$'000
The amount of revenue recognised during the year that was included in contract liabilities at the beginning of the year	1,490	652

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. SEGMENT INFORMATION

The operating segments of the Group are determined based on information reported to the executive directors of the Company, who serve as the chief operating decision makers (“CODM”), for the purposes of resource allocation and performance assessment. The executive directors consider the business from both a product and service perspective. They have identified that the Group is principally engaged in two distinct operating and reportable segments which are subject to different business risks and economic characteristics. The two reportable operating segments are as follows:

- Manufacturing – Manufacture and sale of toys and lighting products
- Property development – Development of properties for sale

The executive directors of the Company consider the operating activities of manufacturing and sale of toys and lighting products as a single operating segment.

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

- Segment profits or losses do not include other income, other gains and losses, central administrative costs, finance costs and income tax;
- Segment assets do not include income tax recoverable and corporate assets managed on a central basis; and
- Segment liabilities do not include deferred tax liabilities, income tax payable and corporate liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results:

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2025

	Manufacturing HK\$'000	Property development HK\$'000	Consolidated HK\$'000
Revenue from external customers	483,219	–	483,219
Segment results	(190,110)	(86)	(190,196)
Other income (note 9)			1,110
Other gains and losses (note 10)			36,812
Unallocated corporate expenses			(3,613)
Finance costs			(6,275)
Loss before tax			(162,162)

For the year ended 31 December 2024

	Manufacturing HK\$'000	Property development HK\$'000	Consolidated HK\$'000
Revenue from external customers	456,859	–	456,859
Segment results	(251,386)	–	(251,386)
Other income (note 9)			11,319
Other gains and losses (note 10)			4,559
Unallocated corporate expenses			(35,969)
Finance costs			(4,473)
Loss before tax			(275,950)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities:

The followings is an analysis of the Group's assets and liabilities by operating and reportable segment:

At 31 December 2025

	Manufacturing HK\$'000	Property development HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	393,304	239,598	632,902
Unallocated assets			
– Income tax recoverable			1,939
– Other corporate assets			2,256
Total assets			637,097
LIABILITIES			
Segment liabilities	328,011	9,028	337,039
Unallocated liabilities			
– Deferred tax liabilities			2,354
– Income tax payable			9,497
– Other corporate liabilities			1,014
Total liabilities			349,904

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities: (Continued)

The followings is an analysis of the Group's assets and liabilities by operating and reportable segment:
(Continued)

At 31 December 2024

	Manufacturing HK\$'000	Property development HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	435,715	253,682	689,397
Unallocated assets			
– Income tax recoverable			1,939
– Other corporate assets			2,825
Total assets			694,161
LIABILITIES			
Segment liabilities	187,377	7	187,384
Unallocated liabilities			
– Deferred tax liabilities			1,759
– Income tax payable			9,497
– Other corporate liabilities			959
Total liabilities			199,599

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. SEGMENT INFORMATION (Continued)

(c) Geographical information:

The Group's operations are located in Hong Kong, Vietnam, The United states of America, Canada, Europe, the PRC, Australia, Mexico and other countries.

Information about the Group's revenue is presented on the geographical locations of the customers and information about the Group's non-current assets is presented based on the geographical locations of the assets:

	Revenue from external customers		Non-current assets	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Hong Kong (place of domicile)	–	–	263	754
Vietnam	–	–	169,266	184,334
The United States of America	304,599	282,349	11	12
The PRC	–	–	27,183	28,748
Europe	82,235	73,700	8,362	10,202
Canada	52,606	42,026	–	–
Australia	30,151	29,320	895	1,327
South America	3,770	10,699	–	–
Mexico	5,682	7,959	–	–
Other countries	4,176	10,806	–	–
	483,219	456,859	205,717	224,623
	483,219	456,859	205,980	225,377

Note: The above non-current assets excluded rental and other deposits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. SEGMENT INFORMATION (Continued)

(d) Information about major customers:

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2025 HK\$'000	2024 HK\$'000
Customer A	106,679	149,896
Customer B	53,223	69,945
Customer C	77,939	NA*

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group.

The above revenue was derived from sales of toys from the manufacturing segment.

(e) Other information:

The following is an analysis of the Group's other information by operating and reportable segments:

For the year ended 31 December 2025

	Manufacturing HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation	31,477	10	–	31,487
Additions to non-current assets	64,651	–	–	64,651
Impairment loss on property, plant and equipment	1,658	–	–	1,658
Impairment loss on financial assets	770	–	–	770
Impairment loss on right-of-use assets	41,159	–	–	41,159
Write-down of inventories	22,999	–	–	22,999

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. SEGMENT INFORMATION (Continued)

(e) Other information: (Continued)

For the year ended 31 December 2024

	Manufacturing HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation	43,862	–	9,071	52,933
Additions to non-current assets	61,545	–	11,214	72,759
Impairment loss on intangible assets	41,822	–	–	41,822
Impairment loss on property, plant and equipment	10,349	–	2,692	13,041
Impairment loss on financial assets	1,738	–	–	1,738
Impairment loss on right-of-use assets	38,284	–	–	38,284
Reversal of write-down of inventories	(1,015)	–	–	(1,015)

9. OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Interest income on financial assets measured at amortised cost		
– Interest income on bank deposits	101	1,106
– Others	48	–
	149	1,106
Income from subleasing of right-of-use assets	–	3,526
Royalty income	–	29
Prize money earned from horse racing (<i>Note</i>)	–	5,300
Others	961	1,358
	1,110	11,319

Note: During the year ended 31 December 2024, the prize money earned from horse racing included prize money of AUD472,000 (equivalent to HK\$2,440,000) earned from horse racing from racehorses borrowed from a related party of a wholly-owned subsidiary of the Company (Note 38(b)(i)). In September 2024, the Group ceased to borrow the racehorses from the related party and no more prize money was earned since then.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

10. OTHER GAINS AND LOSSES

	2025 HK\$'000	2024 HK\$'000
Gain/(loss) on disposal of property, plant and equipment	18,337	(322)
Net foreign exchange gains/(losses)	16,291	(8,317)
Gain on dissolution of a subsidiary (<i>Note</i>)	–	13,000
Gain on early termination of a lease	2,184	198
	36,812	4,559

Note: At the date of dissolution of a subsidiary, the net liabilities of the subsidiary comprised of a tax provision amounting to HK\$13,000,000. Following the completion of the dissolution process, a gain of HK\$13,000,000 was recognised.

11. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest expense on bank borrowings	57	220
Interest expense on lease liabilities	6,218	4,253
Interest on financial liabilities not at fair value through profit or loss	6,275	4,473

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

12. LOSS BEFORE TAX

The Group's loss before tax is stated after (crediting) charging the following:

	2025 HK\$'000	2024 HK\$'000
Auditor's remuneration		
– Audit services	3,830	3,546
– Non-audit services	77	75
Cost of inventories sold	352,197	304,493
Write-down/(reversal of write-down) of inventories	22,999	(1,015)
Depreciation of property, plant and equipment	20,414	31,612
Depreciation of right-of-use assets	11,073	21,321
Impairment loss on intangible assets	–	41,822
Impairment loss on right-of-use assets	41,159	38,284
Impairment loss on property, plant and equipment	1,658	13,041
Impairment loss on financial assets	770	1,738
Royalty expenses (included in distribution and selling expenses)	37,176	43,286
Research and development costs recognised as expenses	2,575	3,666

Note: Cost of inventories sold includes HK\$107,457,000 (2024: HK\$88,667,000) relating to staff costs, depreciation expenses and write-down/reversal of write-down of inventories. These amounts are also included in the respective total amounts disclosed separately for each type of expense.

13. EMPLOYEE BENEFITS EXPENSES

	2025 HK\$'000	2024 HK\$'000
Employee benefits expenses (including directors' emoluments)		
Salaries, bonuses and allowances	188,860	193,388
Retirement benefit scheme contributions	3,612	2,871
Staff welfare	8,251	7,968
	200,723	204,227

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

13. EMPLOYEE BENEFITS EXPENSES (Continued)

Five highest paid individuals:

The five highest paid individuals in the Group during the year included three (2024: two) directors whose emoluments are disclosed in note 14. The emoluments of the remaining two (2024: three) individuals are set out below:

	2025 HK\$'000	2024 HK\$'000
Salaries, bonuses and allowances	6,080	8,928
Retirement benefit scheme contributions	155	259
	6,235	9,187

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2025	2024
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	2	3

During the year, no amount was paid or payable by the Group to the directors or any of the highest paid individuals set out above as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Fee HK\$'000	Salary HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
For the year ended				
31 December 2025				
Executive directors				
Cheng Yung Pun	–	–	–	–
Shirley Marie Price (<i>note i</i>)	–	4,044	137	4,181
Cheng King Cheung	–	2,791	150	2,941
Yip Hiu Har (<i>note ii</i>)	–	3,250	18	3,268
Cheng Kin Cheong (<i>note iv</i>)	–	357	7	364
Independent non-executive directors				
Loke Yu alias Loke Hoi Lam (<i>note iii</i>)	23	–	–	23
Mak Shiu Chung, Godfrey	110	–	–	110
Heng Ja Wei, Victor	110	–	–	110
Chui Ka Hing	110	–	–	110
Total	353	10,442	312	11,107
For the year ended				
31 December 2024				
Executive directors				
Cheng Yung Pun	–	516	–	516
Shirley Marie Price (<i>note i</i>)	–	3,900	135	4,035
Cheng King Cheung	–	2,405	148	2,553
Yip Hiu Har (<i>note ii</i>)	–	3,250	18	3,268
Independent non-executive directors				
Loke Yu alias Loke Hoi Lam (<i>note iii</i>)	110	–	–	110
Mak Shiu Chung, Godfrey	110	–	–	110
Heng Ja Wei, Victor	110	–	–	110
Chui Ka Hing	110	–	–	110
Total	440	10,071	301	10,812

14. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Note i: Appointed with effect from 12 March 2024.

Note ii: Yip Hiu Har is also the chief executive officer (CEO) of the Company.

Note iii: Resigned with effect from 17 March 2025.

Note iv: Appointed with effect from 25 August 2025.

None of the directors waived any emoluments during the year (2024: HK\$ Nil).

(b) Directors' material interests in transactions, arrangements or contracts

Other than those related party transactions and balances disclosed in note 38 to the consolidated financial statements, 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 and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2024: HK\$ Nil).

(c) Director's termination benefits

None of the directors of the Company received any termination benefits during the year ended 31 December 2025 (2024: HK\$ Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2025, the Company did not pay considerations to any third parties for making available directors' services (2024: HK\$ Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

As at 31 December 2025, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and the directors' connected entities (2024: HK\$ Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

15. RETIREMENT BENEFITS – DEFINED CONTRIBUTION PLANS

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments (“LSP”) in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee’s final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group’s contributions to mandatory provident fund (“MPF”) scheme or Occupational Retirement Schemes Ordinance (“ORSO”) plan, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

Starting from 1 May 2025, the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “2022 Amendment Ordinance”) came into effect, which abolishes the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. Separately, a 25-year scheme to provide a subsidy (“Subsidy”) for employers’ costs in relation to the post-transition portion of the LSP has been implemented with effect on 1 May 2025.

Among other things, upon the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has determined that the 2022 Amendment Ordinance primarily impacts the Group’s LSP liability with respect to Hong Kong employees that do not participate in the Group’s ORSO plans. The 2022 Amendment Ordinance has no material impact on the Group’s LSP liability with respect to employees that participate in the Group’s ORSO plans.

The abolition of the Mandatory Provident Fund – Long Service Payment offsetting mechanism in Hong Kong does not have any material impact to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

15. RETIREMENT BENEFITS – DEFINED CONTRIBUTION PLANS (Continued)

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.

16. INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
Current tax		
– Hong Kong	–	–
– Other jurisdictions		
Provision for the year	–	686
Under/(over) provision in prior years	337	(1,397)
	337	(711)
Deferred tax (<i>note 31</i>)	645	23,492
	982	22,781

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

16. INCOME TAX EXPENSE (Continued)

Under the two-tiered profits tax regime in Hong Kong, the first HK\$2 million of assessable profits of qualifying group entity will be taxed at 8.25%, and profits above that amount will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no estimated assessable profits for the years ended 31 December 2025 and 2024.

Vietnam enterprise income tax has been provided at 10% to 20% (2024: 10% to 20%) for subsidiaries operating in Vietnam for the year ended 31 December 2025.

Income tax for subsidiaries operating in the US has been provided based on the US federal tax rate of 21% (2024: 21%) and the applicable US state tax rate for the years ended 31 December 2025 and 2024.

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

The income tax expense for the year can be reconciled to the loss before tax as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before tax	(162,162)	(275,950)
Tax calculated at domestic rates applicable in the respective jurisdictions	(31,663)	(48,870)
Tax effect of income that is not taxable	(2,075)	(3,939)
Tax effect of expenses that are not deductible	17,569	21,190
Tax effect of tax losses not recognised	10,842	27,551
Utilisation of tax losses previously not recognised	(262)	(285)
Under/(over) provision in prior years	337	(1,397)
Tax effect of temporary differences not recognised	6,234	28,531
Income tax expense	982	22,781

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

17. DIVIDENDS

	2025 HK\$'000	2024 HK\$'000
Dividends approved and paid:		
– 2023 second interim (HK3 cents per share)	–	22,686
– 2024 interim (HK1.5 cents per share)	–	11,343
– 2024 final (HK1 cent per share)	7,562	–
– 2025 interim (HK1 cent per share)	7,562	–
	15,124	34,029

The Board of Directors has resolved not to recommend for shareholders' approval the payment of any final dividend for the year ended 31 December 2025 (2024: HK 1 cent per share).

18. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2025 HK\$'000	2024 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	(163,602)	(298,573)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	756,203,000	756,203,000

Diluted loss per share is equal to the basic loss per share as the Company does not have any diluted potential ordinary shares outstanding during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

19. PROPERTY, PLANT AND EQUIPMENT

	Building HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Moulds HK\$'000	Construction in progress HK\$'000	Others HK\$'000 (Note)	Total HK\$'000
Cost							
At 1 January 2024	149,546	21,743	236,868	154,267	4,935	65,315	632,674
Additions	4,113	521	888	-	581	18,921	25,024
Disposals	(274)	(11,995)	(19,372)	(379)	-	(40,841)	(72,861)
Reclassification	1,335	-	-	-	(1,335)	-	-
Exchange differences	(7,472)	(101)	(11,363)	-	(158)	(3,728)	(22,822)
At 31 December 2024 and 1 January 2025	147,248	10,168	207,021	153,888	4,023	39,667	562,015
Additions	567	1,540	12,768	-	270	1,541	16,686
Disposals	(19,197)	(4,581)	(12,914)	(81,135)	-	(9,260)	(127,087)
Exchange differences	(2,973)	125	(5,131)	-	(114)	322	(7,771)
At 31 December 2025	125,645	7,252	201,744	72,753	4,179	32,270	443,843
Accumulated depreciation and impairment loss							
At 1 January 2024	87,778	18,142	201,208	153,888	3,000	49,140	513,156
Charge for the year	4,892	551	17,207	-	-	8,962	31,612
Impairment loss for the year	-	1,485	-	-	-	11,556	13,041
Disposals	(256)	(11,199)	(18,291)	-	-	(31,264)	(61,010)
Exchange differences	(3,140)	(79)	(9,461)	-	(21)	(3,366)	(16,067)
At 31 December 2024 and 1 January 2025	89,274	8,900	190,663	153,888	2,979	35,028	480,732
Charge for the year	5,023	310	12,825	-	-	2,256	20,414
Impairment loss for the year	-	1,540	-	-	-	118	1,658
Disposals	(19,197)	(4,581)	(12,914)	(81,135)	-	(9,260)	(127,087)
Exchange differences	(1,491)	116	(4,725)	-	(82)	316	(5,866)
At 31 December 2025	73,609	6,285	185,849	72,753	2,897	28,458	369,851
Carrying amount							
At 31 December 2025	52,036	967	15,895	-	1,282	3,812	73,992
At 31 December 2024	57,974	1,268	16,358	-	1,044	4,639	81,283

Note: As at 31 December 2025 and 2024, others included tooling equipment, containers, motor vehicles and furniture and fixtures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

20. RIGHT-OF-USE ASSETS

	Leasehold land and land use rights HK\$'000	Leased properties HK\$'000	Total HK\$'000
At 1 January 2024	174,418	40,044	214,462
Additions	–	47,735	47,735
Depreciation	(4,594)	(16,727)	(21,321)
Termination of leases	–	(802)	(802)
Impairment loss	–	(38,284)	(38,284)
Reclassified to inventories (<i>note 23</i>)	(147,578)	–	(147,578)
Exchange differences	(13,747)	(1,470)	(15,217)
At 31 December 2024 and 1 January 2025	8,499	30,496	38,995
Additions	–	47,965	47,965
Depreciation	(456)	(10,617)	(11,073)
Lease modification	–	925	925
Impairment loss (<i>note</i>)	–	(41,159)	(41,159)
Exchange differences	–	263	263
At 31 December 2025	8,043	27,873	35,916

	2025 HK\$'000	2024 HK\$'000
Depreciation expenses on right-of-use assets (<i>note 12</i>)	11,073	21,321
Interest expense on lease liabilities (included in finance costs) (<i>note 11</i>)	6,218	4,253
Expenses relating to short-term leases	10,371	11,891
Total cash outflow for leases (<i>note 35(b)</i>)	32,933	33,453

For both years, the Group had leased properties and leased office equipment for its operations. Lease contracts are entered into for fixed term of 1 to 50 years (2024: 1 to 50 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

20. RIGHT-OF-USE ASSETS (Continued)

Note: The Group's operations in the United States (CGU A, as described in note 21), which are engaged in the design, sales and distribution of toys, have incurred persistent operating losses arising from operating and personnel costs that are high relative to the unit's sales volume. As at 31 December 2025, management reassessed the strategic position of CGU A and concluded that the existing cost structure and prevailing market conditions are unlikely to improve in the foreseeable future.

In view of the continued losses and the absence of any projected turnaround, management performed an impairment assessment on all non financial assets allocated to CGU A. These assets primarily comprise the right of use assets relating to the warehouse entered into during 2025.

The recoverable amount of CGU A was determined using a value in use calculation based on discounted cash flow projections. Given the significant operating costs and the expectation of continued net cash outflows over the remaining lease term, the value in use was assessed to be nil. Management also considered the fair value less costs of disposal of the right of use assets. Due to the subletting restrictions under the lease agreement, the fair value was assessed to be negligible. The revenue growth rate and terminal growth rate used in value-in-use calculation was 0% to 13% (2024: 5% to 37%) and 3% (2024: 3%), respectively. The pre-tax discount rate used in the value-in-use calculation was 11.8% (2024: 11.5%).

Accordingly, an impairment loss of HK\$41,159,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2025, representing a full write down of the warehouse right of use assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

21. INTANGIBLE ASSETS

	Goodwill HK\$'000 <i>(note (b)&(c))</i>	Patents HK\$'000	Trademarks HK\$'000 <i>(note (a))</i>	TV programs HK\$'000	Total HK\$'000
Cost					
At 1 January 2024	137,323	14,630	9,278	68,489	229,720
Written off	–	(4,877)	–	(68,489)	(73,366)
At 31 December 2024, and 1 January 2025	137,323	9,753	9,278	–	156,354
Written off	–	(9,753)	–	–	(9,753)
At 31 December 2025	137,323	–	9,278	–	146,601
Accumulated depreciation and impairment loss					
At 1 January 2024	95,501	14,630	9,278	68,489	187,898
Written off	–	(4,877)	–	(68,489)	(73,366)
Impairment loss for the year	41,822	–	–	–	41,822
At 31 December 2024, and 1 January 2025	137,323	9,753	9,278	–	156,354
Written off	–	(9,753)	–	–	(9,753)
At 31 December 2025	137,323	–	9,278	–	146,601
Carrying amount					
At 31 December 2025	–	–	–	–	–
At 31 December 2024	–	–	–	–	–

Notes:

- (a) The trademarks acquired through a business combination during the year ended 31 December 2017 has a legal life of 10 years but is renewable every 10 years at a minimal cost. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and without any difficulties. As a result the trademark is considered by the directors of the Group as having an indefinite useful life because it is expected to contribute to net cash inflow indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

21. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

- (b) Impairment tests for goodwill of toys business

Goodwill with cost of HK\$132,822,000 (2024: HK\$132,822,000) was mainly allocated to a cash-generating unit in the toys business in the United States market related to the acquisition of Funrise Holdings, LLC, Funrise, Inc. and Code 3 Collectibles LLC in 2007 ("CGU A"). The Group performs impairment test on goodwill by comparing the recoverable amount to the carrying amount as at 31 December 2024.

The recoverable amount of the CGU A has been determined based on a value in use calculation. The calculation uses cash flow forecast projections based on financial budgets approved by management covering a five-year period.

The following table set out the key assumptions used in the value in use calculation:

	2024
Revenue growth rate	5% to 37%
Budgeted gross margin	43% to 46%
Long-term growth rate	3%
Pre-tax discount rate	11.5%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue	Based on past performance and management's expectation of roll-out of new products and market trend. The growth rate of 37% anticipated for the first year is primarily attributable to confirmed orders on hand and the expected demand from a long-standing customer.
Budgeted gross margin	Based on past performance and management's expectation for the future.
Long-term growth rate	This is the growth rate used to extrapolate cash flows beyond the five-year period and the rate is consistent with the market research.
Pre-tax discount rate	Reflect specific risk relating to the relevant operating unit. The decrease in discount rate is attributable to the decrease in market risk premium and company-specific risk premium.

Based on the value in use calculation, the recoverable amount is lower than the carrying amount of CGU A, and thus impairment losses were made on the related assets of the CGU A as follows:

	2024 HK\$'000
Impairment loss on goodwill	41,822
Impairment loss on property, plant and equipment	10,349
Impairment loss on right-of-use assets	38,284
	90,455

At 31 December 2024, the directors of the Company considered a reasonably possible change in key assumptions mentioned above would not cause further impairment losses on the related assets of the CGU A.

21. INTANGIBLE ASSETS (Continued)

Notes: (Continued)

- (c) Impairment tests for goodwill and trademark of the lighting business

Goodwill with cost of HK\$4,501,000 (2024: HK\$4,501,000) and trademark with cost of HK\$9,278,000 (2024: HK\$9,278,000) were allocated to the Group's cash-generating unit in the design, manufacturing, marketing and distribution of energy efficient lighting products related to the acquisition of Fern-Howard Limited ("CGU B"). The Group performs impairment tests on goodwill and trademark 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 the consolidated statement of financial position.

Full impairment provision was recognised against the goodwill and trademark allocated to CGU B in the prior years. The recoverable amount has been determined based on a value in use calculation. The calculation uses cash flow forecast projections based on financial budgets approved by management covering a five-year period.

Based on the value in use calculation, the recoverable amount of CGU B is lower than its carrying amount, no reversal of previously recognised impairment loss on trademark was recorded. At 31 December 2025, the carrying amounts of goodwill and trademark were HK\$Nil (2024: HK\$Nil), following the recognition of cumulative impairment losses of HK\$4,501,000 and HK\$9,278,000, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2025 and 2024 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ Registered capital	Percentage of ownership/voting power held indirectly		Principal activities
			2025	2024	
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 products 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 products ranges
Funrise Toys (HK) Limited	Hong Kong	HK\$1,000 ordinary shares	100%	100%	Wholesale distribution and importation of toy and sales of accessories connected with its products ranges
Mega Management Services Limited	Hong Kong	HK\$10 ordinary shares	100%	100%	Provision of management services
Javi Investment Joint Stock Company	Vietnam	VND160,000,000,000 ordinary shares	100%	100%	Property development
Keyhinge Enterprises (Macao Commercial Offshore) Company Limited	Samoa	US\$1,000,000 ordinary shares	100%	100%	Purchase and trading of toys

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

22. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued capital/ Registered capital	Percentage of ownership/voting power held indirectly		Principal activities
			2025	2024	
Matrix Manufacturing Vietnam Company Limited	Vietnam	US\$14,960,000 contributed	100%	100%	Manufacture of toys and lighting products
Keyhinge Toys Vietnam Joint Stock Company	Vietnam	US\$47,719,000 contributed legal capital	100%	100%	Manufacture of toys and lighting products and property development
Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. <i>(note)</i>	PRC	US\$5,910,000 registered capital	100%	100%	Manufacture of toys
Matrix Lighting Limited	Samoa	US\$10 ordinary shares	100%	100%	Trading of lighting products
Viribright Lighting Inc.	The United States	US\$10,000 common shares of stock	100%	100%	Trading of lighting products
Fern-Howard Limited	The United Kingdom	GBP2,769,252 ordinary shares	65%	65%	Manufacturing and trading of lighting products

Note: A wholly foreign owned enterprise in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

23. INVENTORIES

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Property development			
Leasehold land held for development for sale	<i>(a)</i>	143,402	147,578
Manufacturing operations	<i>(b)</i>		
Raw materials		54,378	65,302
Work in progress		23,558	38,930
Finished goods		35,843	55,941
		113,779	160,173
		257,181	307,751

Notes:

- (a) The properties expected to be completed after more than one year but within the normal operating cycle are classified as current assets.
- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amount of inventories sold	329,198	305,508
Write-down (reversal of write-down) of inventories	22,999	(1,015)
	352,197	304,493

The write-down of inventories of HK\$22,999,000 (2024: reversal of write-down of HK\$1,015,000) during the year ended 31 December 2025 was for the inventories held for manufacturing of toys and lighting products.

The reversal of write-down of inventories made in previous years was upon utilisation, disposal or an increase in the estimated net realisable value of these inventories.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

24. TRADE AND BILLS RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	94,938	81,892
Bills receivables	–	2,890
	94,938	84,782
Less: allowance for doubtful debts	(7,742)	(7,191)
	87,196	77,591

The bills receivables were discounted to a bank for bank borrowings granted to the Group as disclosed in note 29.

The Group allows a credit period ranged from 14 to 90 days to its customers. The aging analysis of trade and bills receivables based on the invoice date, and net of allowance is as follows:

	2025 HK\$'000	2024 HK\$'000
0 to 60 days	65,372	53,338
61 to 90 days	9,098	8,146
More than 90 days	12,726	16,107
	87,196	77,591

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

	2025 HK\$'000	2024 HK\$'000
At 1 January	7,191	5,556
Net impairment losses recognised for the year	770	1,738
Write-off	(139)	(62)
Exchange movement	(80)	(41)
At 31 December	7,742	7,191

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
(a) Included in non-current assets		
Deposits paid for acquisition of a subsidiary (<i>Note</i>)	96,072	105,099
Rental and other deposits	5,024	4,474
	101,096	109,573
(b) Included in current assets		
Prepayments	6,422	6,243
Value added tax refundable	4,893	4,606
Advance to suppliers	3,666	2,683
Rental and other deposits	1,066	2,710
Consideration receivables for disposal of property, plant and equipment	1,710	–
Other receivables	4,265	3,054
	22,022	19,296

Note: On 27 July 2021, Keyhinge Toys Vietnam Joint Stock Company (“KVN”), a wholly-owned subsidiary of the Company, entered into a master capital transfer agreement (“Master Agreement”) with an individual (the “Vendor”) for the proposed acquisition of a subsidiary, namely Kim Bao An Company Limited (“KBA”). Pursuant to the Master Agreement, the Vendor conditionally agreed to sell the entire equity interests in KBA to KVN, subject to conditions precedent, for a total cash consideration of approximately VND356,950,000,000 (equivalent to approximately HK\$114,847,000). Prior to completion, KBA is required to obtain the relevant land use rights for certain land plots in Danang City, Vietnam, the process of obtaining these land titles is currently in progress.

During the years ended 31 December 2025 and 2024, the Vendor disposed of certain non-core land plots and refunded partial deposits of approximately VND20,438,000,000 (equivalent to approximately HK\$6,053,000) and VND12,171,000,000 (equivalent to approximately HK\$3,710,000), respectively, to KVN.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

26. FIXED BANK DEPOSITS WITH MATURITY OVER THREE MONTHS, BANK AND CASH BALANCES

	2025 HK\$'000	2024 HK\$'000
Fixed bank deposits with maturity over three months	–	899
Bank and cash balances		
Cash on hand	24	39
Cash at bank	54,246	56,795
Total bank and cash balances	54,270	56,834

The cash at bank carried interest at variable market rates ranging from 0.01% to 2.5% per annum (2024: ranging from 0.01% to 0.3% per annum). At 31 December 2024, the fixed bank deposits with maturity over three months bear interest at a fixed rate of 3.9% per annum.

27. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	47,462	27,007
Accruals and other payables		
Accrued employee benefit expenses	21,263	24,060
Royalty payable	21,188	17,851
Other payables and accruals	41,097	35,510
	83,548	77,421
	131,010	104,428

The aging analysis of trade payables presented based on the invoice date is as follows:

	2025 HK\$'000	2024 HK\$'000
0 to 60 days	31,303	18,517
61 to 90 days	4,452	5,897
More than 90 days	11,707	2,593
	47,462	27,007

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

28. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract Assets

	2025 HK\$'000	2024 HK\$'000
From contracts with customers within the scope of HKFRS 15		
– Sales of toys	3,485	–

Contract assets represent unbilled revenue under manufacturing contracts. These arise when the Group's enforceable right to receive payments is aligned with the progress of performance obligations. Because payment for the manufacturing services is not due from customers until the promised goods are transferred, contract asset revenue is recognised over the period in which the manufacturing services are performed reflecting the Group's enforceable right to payment for performance completed to date. The contract assets are expected to be recovered within one year.

The increase in contract assets during the year ended 31 December 2025 was mainly due to changes in the pace of progress of certain manufacturing contracts for which the Group was not yet entitled to issue the billings.

(b) Contract Liabilities

	2025 HK\$'000	2024 HK\$'000
Billing in advance of performance obligation		
– Sales of toys	7,775	3,382
– Sales of lighting products	89	89
	7,864	3,471

Contract liabilities arise when customers pay deposits before the Group transfers control of the goods to them. These contract liabilities are expected to be settled within one year.

The increase in contract liabilities was mainly due to increase in advance payments from customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

28. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract Liabilities (Continued)

Movements in contract liabilities:

	2025 HK\$'000	2024 HK\$'000
At 1 January	3,471	3,477
Decrease in contract liabilities resulting from revenue recognised during the year that was included in the opening balance	(1,490)	(652)
Increase in contract liabilities due to billing in advance for sales of toys and lighting products	5,884	648
Exchange differences	(1)	(2)
At 31 December	7,864	3,471

29. BANK AND OTHER BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Repayable within one year		
– Bank loan	–	2,352
– Bank borrowings from factoring of bills receivables	–	2,890
– Other borrowings	9,016	–
	9,016	5,242

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

29. BANK AND OTHERS BORROWINGS (Continued)

As at 31 December 2025, the Group's other borrowings of approximately HK\$9,016,000 (2024: Nil), which are unsecured, have a one year term and bear a fixed interest rate of 0.1% per annum.

As at 31 December 2024, the Group's bank borrowings of approximately HK\$5,242,000, which are subject to a variable interest rate of 1.75% per annum above the Hong Kong Interbank Offered Rate, secured by (i) bills receivables of HK\$2,890,000 and (ii) guarantees provided by a subsidiary of the Group and the Company. As at 31 December 2024, the effective interest rate of the Group's bank borrowings was 5.95% per annum.

30. LEASE LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Lease liabilities payable:		
Within one year	17,559	10,552
Between one to two years	18,719	9,268
Between two to five years	47,345	29,382
More than five years	19,857	23,096
	103,480	72,298
Less: Amounts due within one year shown under current liabilities	(17,559)	(10,552)
Amounts due after one year	85,921	61,746

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

31. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised and the movements during the year are as follows:

	Accelerated tax depreciation	Tax losses	Allowance for doubtful debts	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(Note)</i>	HK\$'000
At 1 January 2024	(767)	(780)	(109)	(20,007)	(21,663)
Charge to profit or loss for the year <i>(note 16)</i>	780	780	109	21,823	23,492
Exchange difference	(8)	–	–	(62)	(70)
At 31 December 2024 and 1 January 2025	5	–	–	1,754	1,759
Charge to profit or loss for the year <i>(note 16)</i>	–	–	–	645	645
Exchange difference	–	–	–	(50)	(50)
At 31 December 2025	5	–	–	2,349	2,354

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

At 31 December 2025, the Group had unrecognised tax losses of HK\$667,570,000 (2024: HK\$574,130,000) for which no deferred tax asset was recognised due to unpredictability of future profit streams, and such tax losses may be carried forward against future taxable income indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

32. SHARE CAPITAL

	2025		2024	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025				
	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025				
	756,203	75,620	756,203	75,620

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, providing returns for owners and benefits for other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. To maintain or adjust this structure, the Group may adjust dividend payments to owners, return capital to owners, issue new shares or sell assets to reduce debt. No changes were made to the Group's objectives, policies or processes during the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

(a) Statement of financial position of the Company

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Interests in subsidiaries	(c)	447,495	630,449
Current assets			
Deposits and prepayments		342	165
Amounts due from subsidiaries		156,916	133,695
Cash and cash equivalents		1,416	1,951
		158,674	135,811
Current liabilities			
Other payables and accruals		684	713
Amounts due to subsidiaries		332,848	314,700
		333,532	315,413
Net current liabilities		(174,858)	(179,602)
NET ASSETS		272,637	450,847
Capital and reserves			
Share capital	32	75,620	75,620
Reserves	33(b)	197,017	375,227
TOTAL EQUITY		272,637	450,847

Approved by the Board of Directors on 30 March 2026 and are signed on its behalf by:

Mr. Cheng Yung Pun
Director

Ms. Yip Hiu Har
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

(b) Reserve movement of the Company

	Share premium HK\$'000 (note 34(b)(i))	Shareholders' contribution HK\$'000 (note 34(b)(ii))	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2024	189,090	19,689	3,661	377,429	589,869
Loss and total comprehensive expense for the year	-	-	-	(180,613)	(180,613)
Transferred to retained profits	-	(19,689)	-	19,689	-
Dividend paid (note 17)	-	-	-	(34,029)	(34,029)
At 31 December 2024 and 1 January 2025	189,090	-	3,661	182,476	375,227
Loss and total comprehensive expense for the year	-	-	-	(163,086)	(163,086)
Dividend paid (note 17)	-	-	-	(15,124)	(15,124)
At 31 December 2025	189,090	-	3,661	4,266	197,017

- (c) During the year, an amount due from a subsidiary of HK\$399,755,000 has been reclassified and combined into the line item “Interests in subsidiaries” for better presentation and more appropriately reflect the nature of the balance.

34. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Act 1981 of Bermuda (as amended), the funds in the share premium account of the Company are distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Shareholders' contribution

The shareholders' contribution represents the deemed contribution arising from the forfeiture of a loan from ultimate holding company which was non-current and interest-free, including the adjustment to imputed interest for the loan.

As at 31 December 2024, the shareholders' contribution was consolidated into retained profits pursuant to the resolution of the board of directors.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$	Bank and other borrowings HK\$	Dividend payable (included in other payables) HK\$	Amounts due to directors HK\$	Total HK\$
At 1 January 2024	45,369	4,234	464	–	50,067
Financing cashflows	(21,562)	788	(34,029)	2,904	(51,899)
Additions	47,735	–	–	–	47,735
Interest expense	4,253	220	–	–	4,473
Termination of leases	(1,000)	–	–	–	(1,000)
Dividends declared	–	–	34,029	–	34,029
Exchange difference	(2,497)	–	–	–	(2,497)
At 31 December 2024 and 1 January 2025	72,298	5,242	464	2,904	80,908
Financing cashflows	(22,562)	3,717	(14,934)	83,625	49,846
Additions	47,965	–	–	–	47,965
Interest expense	6,218	57	–	–	6,275
Termination of leases	(2,184)	–	–	–	(2,184)
Lease modification	925	–	–	–	925
Dividends declared	–	–	15,124	–	15,124
Exchange difference	820	–	–	154	974
At 31 December 2025	103,480	9,016	654	86,683	199,833

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	10,371	11,891
Within financing cash flows	22,562	21,562
	32,933	33,453

36. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not provided for in the consolidated financial statements are as follows:

	2025 HK\$'000	2024 HK\$'000
Contracted for acquisition of property, plant and equipment	1,383	737

37. OPERATING LEASE ARRANGEMENT

The Group as lessee

The Group regularly enters into short-term leases for office premises, warehouse and office equipment. As at 31 December 2025 and 2024, the portfolio of short-term leases remains similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in note 20 to the consolidated financial statements.

The Group as lessor

The Group has entered into non-cancellable operating lease arrangements for subletting warehouse space. Minimum lease payments receivables under these leases are as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	–	294

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

38. RELATED PARTIES TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries and other short-term employee benefits	10,795	13,598
Post-employment benefits	312	319
	11,107	13,917

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

(b) Other related party transactions

- (i) On 8 July 2024, a subsidiary of the Group entered into a horse lending agreement with a related party (the "Related Party"). The ultimate controlling shareholder of the Company, Mr. Cheng, is also a director of the Related Party. Pursuant to the horse lending agreement, the Related Party lent its racehorses to the subsidiary free of charge commencing from 1 January 2023. In September 2024, the subsidiary ceased to borrow the racehorses from the Related Party.
- (ii) On 25 September 2024, the subsidiary entered into an agreement to sell 34 horses with a carrying amount of AUD2,093,000 (equivalent to HK\$11,030,000) to the Related Party for a consideration of AUD2,236,000 (equivalent to HK\$11,784,000) and recorded a loss of AUD60,000 (equivalent to HK\$316,000) after deducting the tax and expenses on the disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

38. RELATED PARTIES TRANSACTIONS (Continued)

(c) Balances with related parties

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Amounts due to directors			
– Mr. Cheng			
Loan A	<i>(i)</i>	74,675	–
Loan B	<i>(ii)</i>	9,918	–
		84,593	–
– Mr. Cheng King Cheung	<i>(iii)</i>	2,090	2,904
		86,683	2,904

- (i) The loan is unsecured, interest-free and repayable on demand.
- (ii) On 2 March 2025, a subsidiary of the Group and Mr. Cheng entered into a loan agreement pursuant to which Mr. Cheng granted a loan totalling VND33,482,000,000 (equivalent to HK\$9,918,000) to the subsidiary and such loan had been drawn down by the Group. The loan is unsecured, interest free and repayable within 12 months from the drawn down date.
- (iii) The amount is unsecured, interest free, and has no fixed repayment terms.

39. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to financial institutions to secure the general banking facilities granted to the Group:

	2025 HK\$'000	2024 HK\$'000
Property, plant and equipment	17,898	–
Inventories	87,062	–
Bills receivables	–	2,890
	104,960	2,890

As at 31 December 2025, in addition to the assets mentioned above, the Group pledged its equity interest in certain subsidiaries as securities for these banking facilities.

Financial Summary

	For the year ended 31 December				2025 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	
RESULTS					
Revenue	1,082,637	986,094	714,486	456,859	483,219
Profit/(loss) before income tax	70,916	18,719	(98,628)	(275,950)	(162,162)
Income tax expenses	(16,279)	(16,888)	(4,312)	(22,781)	(982)
Profit/(loss) for the year	54,637	1,831	(102,940)	(298,731)	(163,144)
Attributable to:					
The owners of the Company	55,092	6,228	(102,604)	(298,573)	(163,602)
Non-controlling interests	(455)	(4,397)	(336)	(158)	458
	54,637	1,831	(102,940)	(298,731)	(163,144)
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings/(loss) per share					
Basic	0.073	0.008	(0.136)	(0.395)	(0.216)
Diluted	0.073	0.008	(0.136)	(0.395)	(0.216)

	As at 31 December				2025 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	
Total assets	1,416,142	1,263,221	1,031,356	694,161	637,097
Total liabilities	(288,974)	(227,456)	(180,126)	(199,599)	(349,904)
	1,127,168	1,035,765	851,230	494,562	287,193
Equity attributable to the owners of the Company	1,133,366	1,047,414	863,734	507,013	299,998
Non-controlling interests	(6,198)	(11,649)	(12,504)	(12,451)	(12,805)
	1,127,168	1,035,765	851,230	494,562	287,193

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