

MATRIX

MATRIX HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

2003 INTERIM RESULTS

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Directors”) of Matrix Holdings Limited (the “Company”) announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003, together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

	NOTES	For the six months ended	
		30 June 2003 (Unaudited) HK\$'000	30 June 2002 (Unaudited) HK\$'000
Turnover	2	239,587	189,285
Cost of sales		(154,058)	(126,317)
Gross profit		85,529	62,968
Other revenue		918	1,418
Distribution costs		(814)	(514)
Administrative expenses		(14,953)	(14,295)
Profit from operations	3	70,680	49,577
Finance costs		(662)	(931)
Profit before taxation		70,018	48,646
Taxation	4	(7,764)	(5,300)
Net profit for the period		<u>62,254</u>	<u>43,346</u>
Interim dividend		<u>25,818</u>	<u>25,818</u>
Earnings per share	5		
Basic		<u>HK\$0.19</u>	<u>HK\$0.21</u>
Diluted		<u>HK\$0.11</u>	<u>HK\$0.08</u>

NOTES

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention.

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”).

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002 except that the Group has adopted the revised SSAP 12 (“Income Taxes”) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

In the current period, the Group has adopted, for the first time, the revised SSAP 12. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying

amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. The balances on the Group's other asset revaluation reserves at 1 January 2002 and 1 January 2003 have been reduced by HK\$2.3 million and HK\$2.0 million respectively, representing the deferred tax liabilities recognised in respect of the revaluation surplus on the Group's assets at that date.

2. SEGMENTAL INFORMATION

The Group's turnover and net profit for the period analysed by geographical segment is as follows:

	For the six months ended 30 June			
	Turnover		Results	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States	219,307	174,963	78,312	59,250
Canada	7,617	7,467	2,975	2,528
Taiwan	9,994	6,589	3,023	568
Hong Kong	273	236	81	77
Others	2,396	30	413	30
	<u>239,587</u>	<u>189,285</u>	<u>84,804</u>	<u>62,453</u>
Unallocated income and expenses			<u>(14,124)</u>	<u>(12,876)</u>
Profit from operations			70,680	49,577
Finance costs			<u>(662)</u>	<u>(931)</u>
Profit before taxation			70,018	48,646
Taxation			<u>(7,764)</u>	<u>(5,300)</u>
Net profit for the period			<u>62,254</u>	<u>43,346</u>

As the Group operates in one business segment, which is engaged in the manufacture and trading of gifts and novelties, the segment information by business segment is the same as above.

3. PROFIT FROM OPERATIONS

	30 June 2003	30 June 2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
– under-provision in previous year	149	–
Depreciation		
– owned assets	5,346	5,940
– assets held under a finance lease	64	–
Operating lease rentals in respect of rented premises	2,147	2,360
Staff costs (including wages and directors' remuneration)	41,904	27,621
Exchange (gain)/loss	(56)	12
Interest income	<u>(212)</u>	<u>(50)</u>

4. TAXATION

Hong Kong Profits Tax has been calculated at 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the overseas countries in which the Group operates respectively.

	30 June 2003	30 June 2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	7,344	3,900
Overseas	<u>420</u>	<u>1,400</u>
	<u>7,764</u>	<u>5,300</u>

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2003 is based on the net profit attributable to shareholders for the period of approximately HK\$62,254,000 (2002: HK\$43,346,000) and the weighted average number of 322,720,000 shares (2002: 209,382,983 shares) in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2003 is based on the adjusted net profit attributable to shareholders for the period of approximately HK\$62,904,000 (2002: HK\$44,277,000) and the weighted average number of 584,720,000 shares (2002: 584,720,000 shares) after taking into consideration on the potential dilution effect of conversion of convertible loan stock.

BUSINESS REVIEW

Financial results

The Group's unaudited consolidated turnover for half year ended 30 June 2003 was HK\$239,587,000 (2002: HK\$189,285,000), representing an increase of 27% as compared to prior same period. Profit attributable to shareholders has achieved HK\$62,254,000 (2002: HK\$43,346,000), demonstrating an increase of 44%. The Group has further expanded its manufacturing capacity, increased the utilization thereof, and also strengthened its relationship with major customers during the period under review. All these resulted in handsome growth in business turnover and profitability to the Group.

Operation

Despite fluctuation during the period of oil prices and thus costs of raw materials, the Group has been able to maintain its gross margin at satisfactory levels, a result of its continued efforts in areas of production management, procurement and engineering with direct benefits in costs efficiency.

Expansion of production capacity

Construction of the second plant in the Socialist of Republic of Vietnam ("Vietnam") has proceeded steadily as planned, with the warehousing and production area substantially complete. The facility has been equipped with approximately 3,000 sewing machines and is targeted for the production of plush soft toys for which the Group anticipates a strong demand in the near future.

Development of the printing business

Starting with the intention to integrate the Group's business operations, a new business of printing of promotional materials and inserts was established. During the period under review, the costs savings achieved from this venture remained small. It is expected however this business will be broadened to be a further source of revenue in future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remains healthy and stable. At 30 June 2003, the Group had total assets of HK\$299,817,000, total liabilities of HK\$103,234,000 and shareholders' equity of HK\$196,583,000. The net assets of the Group increased from HK\$165,772,000 as at 31 December 2002 to HK\$196,583,000 as at 30 June 2003.

The Group's cash and bank balance as at 30 June 2003 was HK\$45,171,000, out of which HK\$23,270,000 has been pledged to bank to secure banking facilities granted. None of this facilities has been utilised as at 30 June 2003.

The gearing ratio (total debt/total shareholders' fund and total debt) as at 30 June 2003 was 11.8% (2002:13.8%).

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollar, Renminbi and US dollar. As Hong Kong dollar is pegged to the US dollar, and there is no significant fluctuation in the exchange rate between Hong Kong dollar and Renminbi, the Group believes that the risk of exposure to exchange rate is minimal.

CONTINGENT LIABILITIES

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries which have not been utilised at the balance sheet date.

COMPARATIVE FIGURES

Certain of the 2002 comparative figures have been reclassified to conform to the current period's presentation.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK\$0.08 per share for the six months ended 30 June 2003 (2002: HK\$0.08) to be payable in cash to those shareholders whose names appear on the Register of Members of the Company on 27 August 2003. The interim dividend will be paid on or before 1 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 August 2003 to 27 August 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 25 August 2003.

PROSPECTS

The military conflict in the Middle East appeared to have been put under check sooner than previously estimated. This, coupled with the Group's effective policies in procurement, should allow raw material costs for the Group to enjoy more stability in the coming future.

With the increased and diversified production capacity being afforded by the second Vietnam production base, the Group has managed to reinforce the confidence of its major customers in the Group's capabilities and the relationship with these customers has been strengthened further. This should bring about increased orders, in particular those for plush soft toys which are anticipated to be fulfilled in the new plant in Vietnam, where the lower labour costs would help to maintain cost-efficiency.

The installation of equipment for the printing of promotional materials and inserts will be shortly completed and marketing efforts for this business are being made with a view to securing revenue and earnings contribution from this business segment.

The Group will continue to review businesses and enterprises commensurate with its expansion plans, with a view to achieving rational growth in scale, structure and profitability.

HUMAN RESOURCES

As at 30 June 2003, the Group had approximately a total of 10,000 (2002 : 9,000) employees in Hong Kong, the People's Republic of China ("PRC") and Vietnam. The Group provides employees with competitive remuneration packages commensurate to the level of pay and market trend in comparable businesses. A mandatory provident fund scheme and share option scheme are in place.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company was established with written terms of reference which deal clearly with its authorities and duties. The unaudited financial statements of the Group for the six months ended 30 June 2003 have been reviewed by the Audit Committee.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the period ended 30 June 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except that the non-executive directors are not appointed for specific terms as they are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The interim results of the Company for the period ended 30 June 2003 containing all the information required by paragraphs 46(1) to 46(6) of appendix 16 of the Listing Rules will be available on the website of the Stock Exchange (www.hkex.com.hk) in due course.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 8 August 2003

“Please also refer to the published version of this announcement in The Standard”