Matrix Holdings Limited
美力時集團有限公司

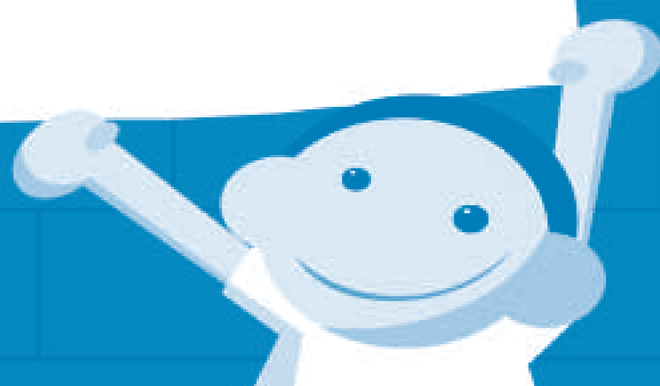
(Incorporated in Bermuda with limited liability)

Matrix

Annual Report 2004

OUR MISSION

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



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Matrix Holdings Limited

Annual Report **2004**

Corporate Profile

Zhongshan, the PRC

Danang City, Vietnam

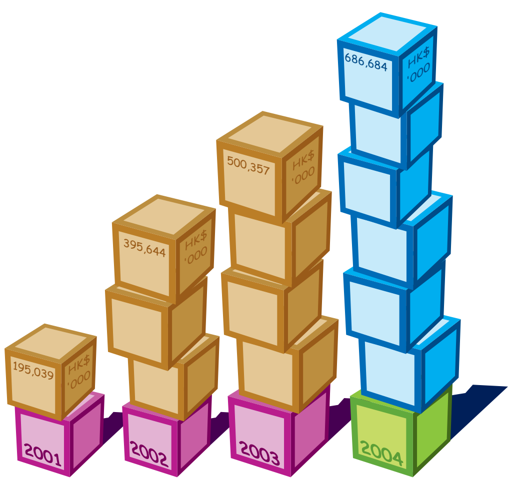
MATRIX is a well-established OEM manufacturer of plastic, die-cast and plush toys, with vertically integrated production process including mould making, manufacturing and design. Currently, the Group operates three plants – two in Danang City, Vietnam and one in Zhongshan, the PRC, with total production capacity of 1.5 million units per day. As at 31st December, 2004, the Group employed approximately 15,000 staff in Hong Kong, Macau, PRC and Vietnam. In January 2005, the Group completed its strategic acquisition of Shelcore group, a well-established US-based toy company which has been designing, manufacturing and selling plastic toys for infant and pre-school children, for almost 30 years.

Financial Highlights

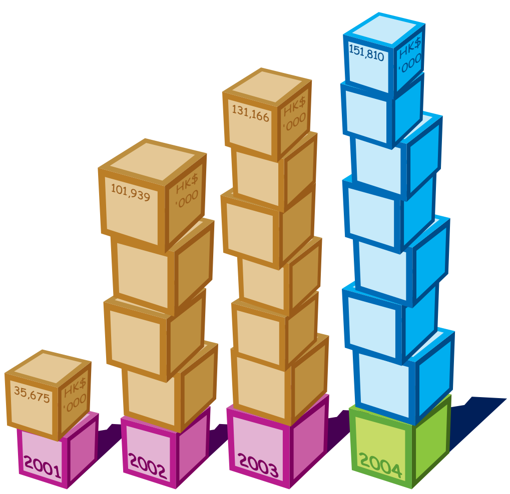
Financial Highlights and Key Ratios as of the Year Ended 31st December:

(HK$'000, except where otherwise stated)	2004	2003	% Change
CONSOLIDATED			
Turnover	**686,684**	500,357	+37.2
Profit from Operations	**177,852**	158,631	+12.1
Net Profit for the Year	**151,810**	131,166	+15.7
Diluted Earnings per Share	**HK$0.26**	HK$0.23	+13.0
Dividend per Share			
– Interim, paid	**HK8 cents**	HK8 cents	–
– Special, declared	**HK3 cents**	HK3 cents	–
– Final, proposed	**HK9 cents**	HK9 cents	–
Gross Profit Margin (%)	**31.6**	36.7	
Operating Profit Margin (%)	**25.9**	31.7	
Net Profit Margin (%)	**22.1**	26.2	
Gearing Ratio (%)	**0.0**	4.9	
Current Ratio	**1.92**	2.15	
Quick Ratio	**0.92**	1.14	

TURNOVER

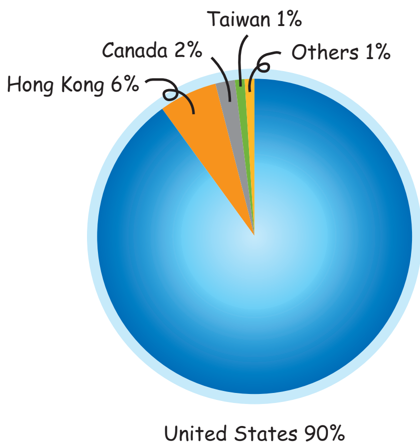


NET PROFIT

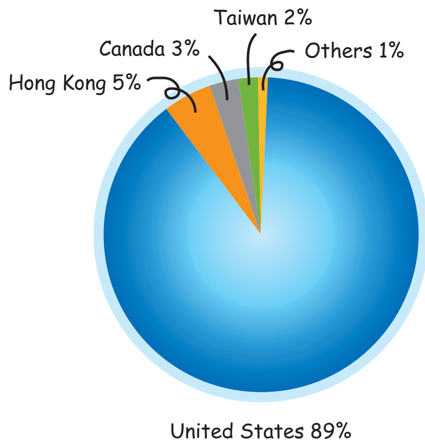


Financial Highlights

TURNOVER BREAKDOWN BY MARKET

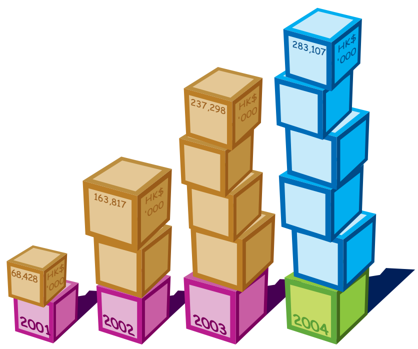


2004

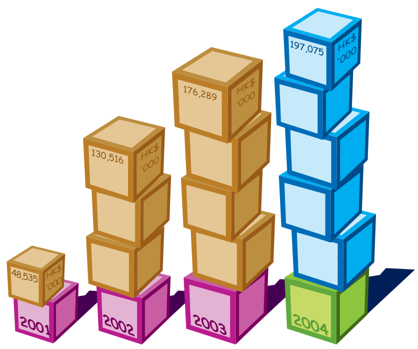


2003

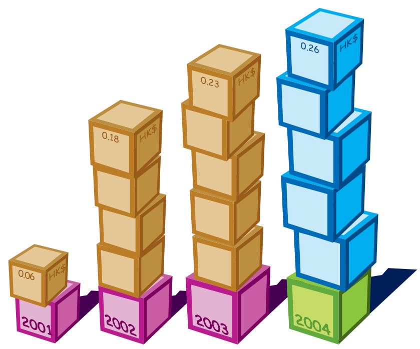
NET ASSETS



EBITDA



DILUTED EPS



DEFINITIONS

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

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

$$\text{Net Profit Margin (\%)} = \frac{\text{Net Profit for the Year}}{\text{Turnover}} \times 100\%$$

$$\text{Gearing Ratio (\%)} = \frac{\text{Total Debt}}{\text{Total Shareholders' Equity + Convertible Loan Stock}} \times 100\%$$

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun (Chairman)
Yu Sui Chuen
Cheng Wing See, Nathalie

Independent Non-executive Directors

Loke Yu alias Loke Hoi Lam
Mak Shiu Chung, Godfrey
Wan Hing Pui

COMPANY SECRETARY

Lai Mei Fong

AUDITORS

Deloitte Touche Tohmatsu
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1201 & 1222
12th Floor, Peninsula Centre
67 Mody Road
Tsimshatsui East
Kowloon
Hong Kong

SHARE REGISTRARS

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH SHARE REGISTRARS IN HONG KONG

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

WEBSITE

www.matrix.hk.com

Chairman's Statement

To Our Shareholders,

It is my pleasure to present you with the Group's annual report for the financial year ended 31st December, 2004. The Group continued with its impressive growth and posted yet another set of sterling results in 2004. Turnover increased by 37.2% to HK$686.7 million and net profit rose by 15.7% to HK$151.8 million, achieving satisfactory performance for the Group in both turnover and net profit.

During the year under review, our further investments and dedicated efforts in developing our Original Equipment Manufacturing ("OEM") premium toy manufacturing operations paid off as the business continued to flourish and post impressive results. Although our profit margin was slightly undermined by the incessant rise in global commodity prices in the past year, we had taken and will continue to take all necessary measures to minimize any negative impact on the Group's bottom-line. As more corporations chase for the rising consumer dollars, we are optimistic about the future of premium toy manufacturing and will continue to work closely with both our existing customers as well as potential new customers to expand this line of business.

On the other hand, attracted by the huge growth potential as well as synergies between the OEM and Original Design Manufacturing ("ODM") market segments, we seized a golden opportunity for the Group to establish its presence in the ODM toy market – via the strategic acquisition of a well-established Shelcore group specializing in the design, manufacturing and sale of plastic toys for infants and pre-school children. This acquisition, worth US$8.5 million (approximately HK$66.3 million), was successfully completed in late January 2005 and it marked our entry into the global retail toy market, making Matrix a global name with worldwide recognition across over 60 countries.

In this coming year, we will spare no efforts in amalgamating the two operations successfully, so as to maximize the synergies (both in terms of distribution network and cost efficiencies) that the newly merged Matrix Group will stand to enjoy. With the interests of all shareholders in mind, we will continue to consider all possible opportunities that can complement and add value to the Group's existing businesses and focus on delivering even more encouraging results in the forthcoming year.

In conclusion, I would like to express my deepest gratitude to all our stakeholders, including shareholders, customers, business partners and suppliers, for their continued support and for their confidence in the Group. My sincere appreciation also goes to the management and all our staff whose indispensable and enthusiastic contributions have driven the Group to achieve outstanding results for the year. I look forward with great optimism that the newly merged Matrix Group will continue to deliver attractive and sustainable returns to all our stakeholders in the years ahead.

Cheng Yung Pun
Chairman

Hong Kong, 16th March, 2005

Management Discussion and Analysis

RESULTS

For the year ended 31st December, 2004, Matrix Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") attained yet another successful year and achieved record turnover and net profit. Turnover for the year reached HK$686,684,000 (2003: HK$500,357,000), a surge of 37.2% from that in the preceding year. Net profit for the year rose by 15.7% to HK$151,810,000 (2003: HK$131,166,000), which in turn resulted diluted earnings per share to HK$0.26 (2003: HK$0.23).

This commendable performance was mainly attributable to the significant increase in contribution from the second plant in Vietnam which made its first full-year contribution to the Group in 2004. Increasing demand from the Group's loyal customers and new customers cultivated during the year were also key drivers behind its outstanding results.

On the other hand, similar to its manufacturing peers, the Group's profit margin was inevitably undermined by the incessant rise in global commodity prices in the year of 2004. However, with the Group's stringent cost control and enjoying considerable economies of scale, the Group was enable to achieve competitive raw material prices.

DIVIDENDS

During the year, the Company paid an interim dividend of HK8 cents (2003: HK8 cents) and declared a special dividend of HK3 cents (2003: HK3 cents) per share to the shareholders. The Directors recommended the payment of a final dividend of HK9 cents (2003: HK9 cents) per share in respect of the year ended 31st December, 2004 (Based on 584,720,000 shares in an amount of HK$52,625,000). Together with the interim dividend and special dividend paid and declared of HK8 cents and HK3 cents per share respectively, the total dividend per share for the year is HK20 cents (2003: HK20 cents). Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 26th April, 2005.

BUSINESS REVIEW

With the global economy steadily recovering since the beginning of 2004, the Group was able to finish the year with significant growth in its operating and financial results. During the year under review, the Group's efforts to further develop its OEM premium toy manufacturing business yielded positive results, as reflected by the increased contribution from the second plant in Vietnam. Also, its stringent cost control measures augmented the Group's encouraging performance.

During the year under review, the Group acquired a business promotional company in the PRC to further tap into the PRC market. Towards the beginning of 2005, the Group made a strategic move into the ODM toy market with the acquisition of the well-established US-based companies of Shelcore, Inc., Shelcore Hong Kong Limited, Shelcore Canada Limited and Shelcore UK Limited (together referred to as "Shelcore Companies"). The management strongly believes that these two acquisitions will open up new opportunities for the Group's future business growth.

With its healthy financial position as its foundation, added onto that its remarkable financial and management track record, the Group is well positioned to reach even greater heights moving forward, when the newly merged Matrix Group emerges.

Management Discussion and Analysis

TOY MANUFACTURING OPERATION

Zhongshan, the PRC

PRC

Located in Zhongshan, the PRC, the Group's manufacturing plant is well-equipped with fully-integrated and centralized facilities for molding, welding, spray painting, printing and assembly. Given its sizeable production scale, the Group's Zhongshan plant is able to enjoy considerable economies of scale with the procurement of bulk raw materials at competitive prices and enjoyment of relatively lower production costs in the PRC. In addition, the Group also managed to maintain a stable labour supply and workforce during the year.

Being fully aware that technological advancements are critical to advancing its production pace, the Group also implemented an Enterprise Resources Planning (ERP) System starting in Zhongshan plant to systematically integrate and consolidate the Group's entire manufacturing process as a whole.

In order to cope with the increasing orders and improve the handling efficiency, the Group is now in the process of constructing a new warehouse with a total gross floor area of approximately 5,000 square metres.

Danang City, Vietnam – First plant

Danang City, Vietnam – Second plant

Embroidery Department Danang City, Vietnam – Plant

Vietnam

Being one of the first movers in the Asian regional toy industry to set up a manufacturing plant in Vietnam, the Group has since set up its second plant in Danang City, Vietnam focusing on the production of high-quality plush toys with its first plant engaged in the production of plastic toys, which becomes the Group's major production base.

The Group's second Vietnam plant has commenced full scale operation of plush toy manufacturing during the year, and has also installed a number of new embroidery machines to boost its production of plush toys. Along with its 4,600 sewing machines in 2004, this Vietnam plant has become one of the largest scale manufacturers of plush toys in the world. During the year, a number of experts were recruited to improve the existing plush toys operation.

Management Discussion and Analysis

PRINTING OPERATION

During the year under review, the printing operation had primarily served as the Group's internal consumption, supplementing the packaging function in the overall production process. This printing arm had achieved Matrix's goal on vertical integration functionally and enabled the Group to deliver the products to clients effectively. To further maximize the use of the printing machines, the Group had utilized the excess capacity to develop the network of external customers and bring in a new source of revenue to the Group.

As the Group believes the demand from external users will be increasing, complemented by the Group's internal demand, this operation will have a positive contribution to the Group's bottom-line in the forthcoming years.

MARKETING AND PROMOTIONAL OPERATION

Without missing a beat, strategic acquisitions were undertaken by the Group to spearhead its business growth through gradual expansion. During the year under review, the Group acquired 深圳智又盈投資顧問有限公司 (formerly known as 深圳市智又盈投資顧問有限公司) – a business promotional company in the PRC to capture the explosive growth momentum of the mainland market and serve as the Group's marketing arm in the PRC market. This company serves many renowned clients from various business sectors such as oil, banking, information technology, telecommunications, media, manufacturing, etc.

FINANCIAL REVIEW

Borrowing and Gearing

During the year under review, the Group was granted banking facilities in a total of HK$5,000,000 (2003: HK$42,000,000) secured by a fixed deposit. The Group's gearing ratio was 0% (2003: 4.9%), representing the total debt divided by total shareholders' fund and convertible loan stock. As at 31st December, 2004, the Group had cash and bank balances of HK$94,699,000 (2003: HK$83,243,000).

Capital Expenditure

The total capital expenditure during the year amounted to HK$14,790,000 (2003: HK$30,564,000) to expand and upgrade the production capacity. These capital expenditure were funded mainly by internal resources.

Shareholders' Funds and Share Capital

Shareholders' funds as at 31st December, 2004 increased 19.2% (2003: 44.8%) to approximately HK$282,975,000 (2003: HK$237,298,000). There had been an increase in the issued share capital from HK$46,272,000 to HK$58,472,000 due to the conversion of HK$12,200,000 convertible loan stock during the year.

Liquidity

The Group maintained a strong financial position for this year. Net cash generated from operating activities amounted to approximately HK$151,000,000 (2003: HK$117,000,000).

Assets and Liabilities

As at 31st December, 2004, the Group had total assets of HK$454,007,000 (2003: HK$363,748,000), total liabilities of HK$170,900,000 (2003: HK$126,450,000) and shareholders' equity of HK$282,975,000 (2003: HK$237,298,000).

Management Discussion and Analysis

Contingent Liabilities

The Company had given guarantees to a bank in respect of general facilities granted to its subsidiary which had not been utilized at the balance sheet date.

Exchange Rate Risk

The assets and liabilities of the Group are mainly denominated either in Hong Kong dollar, United States dollar, Renminbi or Vietnamese dong.

A majority of the Group's inventory purchases was made in Hong Kong dollar and Vietnamese dong whereas majority of sales were denominated in United States dollar. Theoretically, the Group was subject to foreign exchange risk exposure in Hong Kong dollar against United States dollar for trust receipts loan borrowing plus any uncovered inventory position to fulfill sales contracts. With the strong support from the government to maintain the peg system in Hong Kong, the exchange rate for the United States dollar should be relatively stable and the Group's potential risk exposure in United States dollar should thus be minimal in the foreseeable future. The Group will continue to monitor closely the exchange risks by requesting United States dollar settlement from customers and hedging the exposure with the appropriate use of forward contracts and applicable derivatives where necessary.

HUMAN RESOURCES

As at 31st December, 2004, the Group had a total of approximately 15,000 (2003: 12,000) employees in Hong Kong, Macau, PRC and Vietnam. The Group provides its employees with competitive remuneration packages commensurate to the level of pay established by the market trend in comparable businesses. A mandatory provident fund scheme and share option scheme are also in place.

CORPORATE GOVERNANCE

The Group strives for enhancing its standard of corporate governance for enhancing its corporate transparency and improving investor protection. The Company had voluntarily published its third quarterly results to the public during the year and has planned to adopt a code of corporate governance practices in the coming year to improve its corporate governance to meet with the increasing standard in Hong Kong.

INVESTOR RELATIONS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its mandatory interim and final financial reports as well as voluntary third quarter financial results announcement. Through the timely distribution of press releases, the Group has also kept the public abreast of its latest developments. Regular meetings and plant visits have been organized to enhance the investors' understanding of the Group's business and production operations.

Management Discussion and Analysis

PROSPECTS

As we look forward, the outlook for the global toy market will remain competitive, despite the positive signs of recovery in the global economy since 2004. However, with our solid foundation laid on our core toy manufacturing operation and sound financial position, we are confident of accomplishing continued growth for our business in the year of 2005.

On 16th November, 2004, the Group entered into agreements to acquire certain assets of Shelcore, Inc. and Shelcore Hong Kong Limited and the entire issued share capital of each of the Shelcore Companies, well-established US-based toy companies specializing in the design, manufacturing and sales of plastic toys for infant and pre-school children, for a total consideration of US$8.5 million (approximately HK$66.3 million). This acquisition was successfully completed in January 2005.

Shelcore Companies was established almost 30 years ago in the US and sells its toy products both under its own brand name "Shelcore Toys" and its customers' private labels. It has now developed into a multi-national marketing organization with operating companies in the US, United Kingdom, Canada and Hong Kong, and a distribution network spanning over 60 countries worldwide. The Shelcore Companies' ISO 9002-certified production facility occupies a site area of approximately 280,000 square feet in Shenzhen, the PRC.

This acquisition allows the Group to take advantage of the Shelcore Companies' brand value to gain an established and significant market share in the global infant and pre-school children retail toy industry. Shelcore Companies also provides the Group with a widespread distribution network in the global marketplace, which will pave out channels for the Group to reach out to global customers. With an extensive global distribution network, the Shelcore operation has little customer concentration risk, which in turn diversifies the market risk of the newly merged Matrix Group. In return, the Group will be able to spread its superior cost management expertise to the Shelcore operations, so as to augment the ODM toy segment's contribution to the Group's bottom-line.

In the coming year, we will focus on the amalgamation of Shelcore operation into the Group. With the Shelcore acquisition completed in January 2005, we expect to bring improvement to the financial performance of the Shelcore operations. Combining the Shelcore Companies' strong marketing expertise and the Group's know-how in manufacturing and cost control, we believe that the newly merged Matrix Group will capture even more business opportunities in the increasingly competitive global toy market and achieve a new business height in the coming future.

ACQUISITION OF SHELCORE GROUP

On 16th November, 2004, the Group entered into agreements to acquire certain assets of Shelcore, Inc. and Shelcore Hong Kong Limited and the entire issued share capital of each of the Shelcore Companies, well-established US-based toy companies specializing in the design, manufacturing and sales of plastic toys for infant and pre-school children, for a total consideration of US$8.5 million (approximately HK$66.3 million). This acquisition was successfully completed in January 2005.

Biographies of Directors

EXECUTIVE DIRECTORS

Mr. Cheng Yung Pun

Aged 53, is the Chairman of the Company since the year 2000. Mr. Cheng is responsible for the overall corporate policy and development strategy as well as overseeing the Group's overall management. Mr. Cheng has an in-depth of knowledge and experimentalism of operations in Greater China. Mr. Cheng has more than 24 years' extensive experience in plastic toys manufacturing, property development and investment. Mr. Cheng is a father of Ms Cheng Wing See, Nathalie, executive director of the Company.

Mr. Yu Sui Chuen

Aged 49, is responsible for overseeing the finance and administration of the Group and assisting the Chairman in the strategic planning. Mr. Yu holds a Higher Diploma in Business Administration majoring in Accounting. Mr. Yu has over 24 years' experience in finance management and administration of which nearly 10 years as a member of the management committee of a listed company. He joined the Company in the year 2000.

Ms. Cheng Wing See, Nathalie

Aged 31, is responsible in managing of procurement of the Group. Ms. Cheng has held managerial position in procurement in the plastic toys field for over three years before joined to the Group. Ms Cheng is a daughter of Mr. Cheng Yung Pun, Chairman of the Company. She joined the Company in the year 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Loke Yu alias Loke Hoi Lam

Aged 56, was appointed to the board as an independent non-executive director and a chairman of the audit committee of the Company in the year 2004. Mr. Loke has over 30 years of experience in accounting and auditing for private and public companies, consultancy and corporate management. Mr. Loke holds a MBA degree from Universiti Teknologi Malaysia. He is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate member of The Institute of Chartered Secretaries & Administrators and a member of the Malaysian Institute of Accountants. He is the Chairman of MHL Consulting Limited (formerly known as Master Holdings (HK) Ltd). He also serves as an independent non-executive director of Shandong Molong Petroleum Machinery Company Limited, United Metals Holdings Limited and New Chinese Medicine Holdings Limited, companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Biographies of Directors

Mr. Mak Shiu Chung, Godfrey

Aged 42, was appointed to the board as an independent non-executive director and a member of the audit committee of the Company in the year 2000. Mr. Mak holds a Bachelor of Science degree in business studies from Bradford University School of Management, UK and a Master of Business Administration degree from the University of Wales, UK. He is a Member of the Hong Kong Securities Institute; a Member of The Chartered Institute of Marketing and an Associate of The Institute of Chartered Secretaries and Administrators. Mr. Mak is currently the executive director of Huafeng Textile International Group Limited and has over 14 years of experience in the field of corporate finance.

Mr. Wan Hing Pui

Aged 74, was appointed to the board as an independent non-executive director and a member of the audit committee of the Company in the year 2004. Mr. Wan has over 46 years of experience in auditing, taxation and financial management consultancy services. He is an Associate Member of The Institute of Chartered Accountants in England and Wales, a Fellow of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom. He is a sole proprietor of H.P. Wan & Co., a firm of Certified Public Accountants (Practising).

REPORT of the Directors

The directors of the Company have pleasure in presenting their annual report together with the audited financial statements of the Company for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of its subsidiaries are the manufacture and distribution of gifts and novelties items. The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 17 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 99.3% of the Group's turnover, with the largest customer accounted for approximately 89.0%. The aggregate purchases attributable to the Group's five largest suppliers were approximately 35.7% of total purchases of the Group, with the largest supplier accounted for approximately 9.5%.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 23.

An interim dividend of HK8 cents per share and a special dividend of HK3 cents per share, amounting to HK$46,777,600 and HK$17,541,600 respectively, were paid and declared to the shareholders during the year respectively.

The directors now recommend the payment of a final dividend of HK9 cents per share, amounting to HK$52,625,000, to the shareholders on the register of members on 20th April, 2005 and the retention of the remaining profit in the Company, amounting to HK$99,097,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$13,341,000 on plant and equipment and HK$1,449,000 on properties to expand and upgrade its production capacity.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements. Shares were issued during the year as a result of the conversion of the convertible loan stocks of the Company.

REPORT of the Directors

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 26 and note 24 to the financial statements respectively.

Reserves of the Company as at 31st December, 2004 available for distribution, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$155,383,000 (2003: HK$81,868,000).

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered 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 55.

DIRECTORS

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

Executive directors:

Cheng Yung Pun (Chairman)
Yu Sui Chuen
Cheng Wing See, Nathalie

Independent non-executive directors:

Mak Shiu Chung, Godfrey
Loke Yu alias Loke Hoi Lam (appointed on 30th September, 2004)
Wan Hing Pui (appointed on 30th September, 2004)
Heng Kwoo Seng (resigned on 30th September, 2004)

DIRECTORS' SERVICE CONTRACTS

In accordance with the clause 99 of the Bye-laws of the Company, Ms. Cheng Wing See, Nathalie retires and, being eligible, offers herself for re-election at the forthcoming annual general meeting. In accordance with the clause 91 of the Bye-laws of the Company, Mr. Loke Yu alias Loke Hoi Lam and Mr. Wan Hing Pui retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

A tenancy agreement entered into on 1st May, 2001 and was renewed on 22nd May, 2003 after arm's length negotiation between Matrix Resources Enterprise Limited and Kwok Lung Industrial Company Limited ("Kwok Lung") (an associate of Mr. Cheng Yung Pun ("Mr. Cheng") as defined under the Listing Rules) in respect of premises in Hong Kong. The monthly rental in respect of this tenancy agreement amounted to HK$12,000.

A sale contract was entered into on 1st December, 2004 between an indirect wholly owned subsidiary of the Company – Keyhinge Enterprises (Macao Commercial Offshore) Company Limited (formerly known as Matrix Enterprises (Macao Commercial Offshore) Company Limited) ("KCO") and Asia Machinery Agency Company Limited ("AMA") (an associate of Mr. Cheng as defined under the Listing Rules) in respect of the purchase of five sets of machines by KCO from AMA at a consideration of HK$920,000.

During the year, interest on the 5% convertible loan stock amounting to HK$73,000 was accrued and payable to Suncorp Investments Group Limited ("Suncorp"), a company incorporated in the British Virgin Islands with its entire issued share capital wholly owned by Mr. Cheng.

Suncorp converted an amount of HK$12,200,000 convertible loan stock into 122,000,000 ordinary shares of HK$0.10 each in the Company in February 2004.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly in any contract, subsisted at the end of the year or at any time during the year.

REPORT of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2004, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

Long Positions

Ordinary Shares of HK$0.10 each of the Company

Name of Directors	Capacity	Number of Issued Ordinary Shares Held	Percentage of the Issued Share Capital of the Company
Cheng Yung Pun	Held by controlled corporation (Note 1)	394,270,800	67.43%
Yu Sui Chuen	Beneficial owner	604,000	0.10%
Cheng Wing See, Nathalie	Beneficial owner	700,000	0.12%

Note 1: The shares are held by Suncorp.

Other than as disclosed above, none of the directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2004.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

REPORT of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2004, other than the interests disclosed above in respect of the directors of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having an interest of 5% or more in the shares, underlying shares and debentures of the Company and its associated corporations.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 17th December, 2002 (the "Scheme") to comply with the new requirements of Chapter 17 of the Listing Rules effected on 1st September, 2001. The key terms of the Scheme are summarised herein below:

(i) The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company and/or the subsidiaries (as defined in the Scheme);

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

(iii) The total number of shares available for issue under the Scheme is 32,272,000 which represents 5.52% of the existing issued share capital of the Company at the date of this report;

(iv) The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company at the date of adoption of the Scheme, unless approval from the Company's shareholders has been obtained. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time;

(v) Unless approved by shareholders in general meeting, no participants shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such participant in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company from time to time. Options granted to a substantial shareholders or an independent non-executive director in excess of 0.1% of the Company's share capital in issue for the time being and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders;

(vi) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each grantee. Unless otherwise determined by the Board at its sole discretion, there is no requirement of a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised;

REPORT of the Directors

SHARE OPTION SCHEME (Continued)

(vii) A non-refundable remittance of HK$1 by way of consideration for the grant of an option is required to be paid by each grantee upon acceptance of the option;

(viii) The subscription price payable upon exercising any particular option granted under the Scheme is determined based on a formula: P = N x Ep, where "P" is the subscription price; "N" is the number of shares to be subscribed; and "Ep" is the exercise price of the highest of (a) the nominal value of a share in the Company on the date of grant; (b) the official closing price of shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of grant; and (c) the average of the official closing price of shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant and as adjusted pursuant to the clauses of the Scheme; and

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

Particulars of the Company's share option scheme are set out in note 34 to the financial statements.

As at 31st December, 2004, the total number of shares available for issue under the Company's share option scheme was 32,272,000 shares which represented 5.52% of the issued share capital of the Company.

No options were granted or exercised under the Scheme during the year and there were no outstanding share options at 31st December, 2004.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, 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 meeting of the Company in accordance with the Bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

REPORT of the Directors

AUDIT COMMITTEE

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted. The audit committee, comprises three independent non-executive directors, namely Mr. Loke Yu alias Loke Hoi Lam (Chairman of audit committee), Mr. Mak Shiu Chung, Godfrey and Mr. Wan Hing Pui, met regularly during the financial year. During the meetings, the audit committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, internal control and financial reporting matters.

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2004.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 36 to the financial statements.

AUDITORS

The financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 16th March, 2005

Auditors' Report

Deloitte.
德勤

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TO THE SHAREHOLDERS OF MATRIX HOLDINGS LIMITED
美力時集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report 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.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Auditors' Report

OWNERSHIP OF MATRIX PLASTIC MANUFACTURING (ZHONGSHAN) CO., LTD. ("MPMZ")

Without qualifying our opinion, we draw attention to note 2 to the financial statements which explains that in October 1999 there was a court judgment regarding the ownership of MPMZ, an indirect wholly-owned major subsidiary of the Company, in connection with a claim made by a trade creditor, which had subsequently been settled. The Company has made an application for a judicial review of the judgment regarding the ownership of MPMZ. The directors have sought independent legal advice and are of the opinion that the aforesaid judgment can be overruled and will have no material impact on the financial position and operations of the Group.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 16th March, 2005

Consolidated Income Statement

For the year ended 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
Turnover	6	**686,684**	500,357
Cost of sales		**(469,696)**	(316,618)
Gross profit		**216,988**	183,739
Other operating income	7	**2,095**	8,476
Distribution costs		**(3,681)**	(2,522)
Administrative expenses		**(37,550)**	(31,062)
Profit from operations	8	**177,852**	158,631
Finance costs	9	**(89)**	(1,153)
Profit before taxation		**177,763**	157,478
Taxation	11	**(26,137)**	(26,312)
Profit after taxation		**151,626**	131,166
Minority interest		**184**	–
Net profit for the year		**151,810**	131,166
Dividends	12	**116,945**	92,325
Earnings per share	13		
Basic		**HK$0.27**	HK$0.36
Diluted		**HK$0.26**	HK$0.23

Consolidated Balance Sheet

At 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current assets			
Property, plant and equipment	14	**122,881**	127,304
Goodwill	15	**807**	–
Deferred tax assets	27	**1,924**	–
Deposit for acquisition of investments in subsidiaries	16	**9,945**	–
		135,557	127,304
Current assets			
Inventories	18	**166,262**	110,857
Trade and other receivables	19	**56,100**	42,344
Investments in securities	20	**1,389**	–
Pledged bank deposit	21	**5,011**	29,227
Bank balances and cash		**89,688**	54,016
		318,450	236,444
Current liabilities			
Trade and other payables	22	**93,307**	57,105
Obligations under a finance lease	26	**113**	106
Amount due to ultimate holding company		**–**	661
Dividend payable		**17,542**	13,882
Tax payable		**55,293**	38,459
		166,255	110,213
Net current assets		**152,195**	126,231
Total assets less current liabilities		**287,752**	253,535
Capital and reserves			
Share capital	23	**58,472**	46,272
Reserves		**224,503**	191,026
		282,975	237,298
Minority interest		**132**	–
Non-current liabilities			
Convertible loan stock	25	**–**	12,200
Obligations under a finance lease	26	**60**	173
Deferred tax liabilities	27	**4,585**	3,864
		4,645	16,237
		287,752	253,535

The financial statements on pages 23 to 54 were approved and authorised for issue by the Board of Directors on 16th March, 2005 and are signed on its behalf by:

Cheng Yung Pun
Chairman

Yu Sui Chuen
Director

Balance Sheet

At 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current asset			
Interests in subsidiaries	17	**259,087**	109,978
Current assets			
Trade and other receivables		**4,283**	285
Amounts due from subsidiaries		**154,862**	110,000
Bank balances and cash		**86**	55
		159,231	110,340
Current liabilities			
Trade and other payables		**543**	213
Amounts due to subsidiaries		**130,670**	9,514
Amount due to ultimate holding company		**–**	661
Dividend payable		**17,542**	13,882
		148,755	24,270
Net current assets		**10,476**	86,070
Total assets less current liabilities		**269,563**	196,048
Capital and reserves			
Share capital	23	**58,472**	46,272
Reserves	24	**211,091**	137,576
		269,563	183,848
Non-current liability			
Convertible loan stock	25	**–**	12,200
		269,563	196,048

Cheng Yung Pun
Chairman

Yu Sui Chuen
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2004

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Shareholder's contribution HK$'000	Other asset revaluation reserves HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
Balance at 1st January, 2003	32,272	55,708	771	6,901	10,262	(5,743)	63,646	163,817
Currency translation difference not recognised in the income statement	–	–	–	–	–	(2,920)	–	(2,920)
Net profit for the year	–	–	–	–	–	–	131,166	131,166
Released on disposal of plant and machinery	–	–	–	–	(933)	–	933	–
Dividends paid (Note 12)	–	–	–	–	–	–	(54,863)	(54,863)
Special dividend declared (Note 12)	–	–	–	–	–	–	(13,882)	(13,882)
Conversion of convertible loan stock	14,000	–	–	–	–	–	–	14,000
Reversal of deferred tax liability arising on disposal of plant and machinery	–	–	–	–	163	–	–	163
Effect of change in tax rate	–	–	–	–	(183)	–	–	(183)
Balance at 31st December, 2003	46,272	55,708	771	6,901	9,309	(8,663)	127,000	237,298
Currency translation difference not recognised in the income statement	–	–	–	–	–	(1,388)	–	(1,388)
Net profit for the year	–	–	–	–	–	–	151,810	151,810
Dividends paid (Note 12)	–	–	–	–	–	–	(99,403)	(99,403)
Special dividend declared (Note 12)	–	–	–	–	–	–	(17,542)	(17,542)
Conversion of convertible loan stock	12,200	–	–	–	–	–	–	12,200
Balance at 31st December, 2004	**58,472**	**55,708**	**771**	**6,901**	**9,309**	**(10,051)**	**161,865**	**282,975**

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of subsidiaries acquired in exchange under a group reorganisation in 1994.

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	Note	2004 HK$'000	2003 HK$'000
OPERATING ACTIVITIES			
Profit from operations		**177,852**	158,631
Adjustments for:			
Loss on disposal of property, plant and equipment		**20**	35
Unrealised loss on investments in securities		**530**	–
Interest income		**(565)**	(647)
Depreciation		**19,039**	17,658
Bad debt written off		**975**	–
Operating cash flows before movements in working capital		**197,851**	175,677
Increase in inventories		**(55,405)**	(52,983)
Increase in trade and other receivables		**(13,061)**	(147)
Increase in trade and other payables		**33,880**	10,067
Decrease in amount due to a director		**–**	(7,620)
Effect of foreign exchange rate changes		**(1,009)**	(2,362)
Cash generated from operations		**162,256**	122,632
Income taxes paid		**(10,508)**	(3,964)
Interest paid		**(750)**	(1,477)
NET CASH FROM OPERATING ACTIVITIES		**150,998**	117,191
INVESTING ACTIVITIES			
Interest received		**565**	647
Proceeds from disposal of property, plant and equipment		**224**	603
Purchases of property, plant and equipment		**(14,790)**	(30,564)
Purchases of investments in securities		**(1,919)**	–
Acquisition of subsidiaries	28	**(286)**	–
Deposit paid for acquisition of subsidiaries		**(9,945)**	–
Decrease (increase) in pledged bank deposit		**24,216**	(29,227)
NET CASH USED IN INVESTING ACTIVITIES		**(1,935)**	(58,541)
FINANCING ACTIVITIES			
Dividends paid		**(113,285)**	(54,863)
Repayment of obligations under a finance lease		**(106)**	(98)
CASH USED IN FINANCING ACTIVITIES		**(113,391)**	(54,961)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**35,672**	3,689
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**54,016**	50,327
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**89,688**	54,016
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**89,688**	54,016

Notes to the Financial Statements

For the year ended 31st December, 2004

1. GENERAL

The Company was incorporated in Bermuda on 24th November, 1993 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The Company is a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Suncorp Investments Group Limited ("Suncorp"), a company incorporated in the British Virgin Islands.

The principal activities of the Company are investment holding and those of its principal subsidiaries are set out in note 17.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In October 1999, there was a court judgment regarding the ownership of Matrix Plastic Manufacturing (Zhongshan) Co., Ltd. ("MPMZ"), an indirect wholly-owned major subsidiary of the Company, in connection with a claim made by a trade creditor, which had subsequently been settled. The Company has made an application for a judicial review of the judgment regarding the ownership of MPMZ. In 2002, the Company received an acknowledgement from Zhongshan Intermediate People's Court that Guangdong High People's Court has transferred the Company's application to Zhongshan Intermediate People's Court for processing. The directors have sought independent legal advice and are of the opinion that the aforesaid judgment can be overruled and will have no material impact on the financial position and operations of the Group. Accordingly, MPMZ is still treated as an indirect subsidiary of the Company.

3. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Financial Reporting Standard ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. In the current year, the Group resolved to early adopt the following new HKFRSs:

HKFRS 3	Business Combinations
HKAS 36	Impairment of Assets

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual amortisation of goodwill and to test for goodwill annually at the cash generating unit.

The early adoption of HKFRS 3 and HKAS 36 has had no material effect on the results for prior accounting periods. Accordingly, no prior year adjustment has been required. However, as a result of the adoption of HKFRS 3 and HKAS 36, the profit of the Group for the current year has been increased by approximately HK$40,000.

Notes to the Financial Statements

For the year ended 31st December, 2004

4. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new HKFRSs which are effective for accounting periods beginning on or after 1st January, 2005. Except for early adoption of HKFRS 3 and HKAS 36 as mentioned in note 3, the Group has not early adopted the remaining new HKFRSs in the financial statements for the year ended 31st December, 2004.

In relation to those new HKFRSs that have not been early adopted by the Group (other than HKFRS 3 and HKAS 36 as mentioned in note 3), the Group has commenced considering these remaining new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how the results of operations and financial position of the Group are prepared and presented. These remaining HKFRSs may result in changes in the future as to how the results and financial positions are prepared and presented.

5. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain property, plant and equipment and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on acquisitions on or after 1st January, 2004 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is tested annually for impairment, and whenever there is an indication that the cash generating unit to which the goodwill is allocated may be impaired. An impairment loss is determined by comparing the carrying amount of the cash generating unit, including the goodwill, with the recoverable amount of the cash generating unit. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Where goodwill forms part of a cash generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

Turnover

Turnover represents the amounts received and receivable for goods sold, less returns, to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Leasehold land and buildings and plant and machinery are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings and plant and machinery is credited to the other asset revaluation reserves, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged as an expense to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	2% or over the lease term, if shorter
Buildings	2% - 4% or over the lease term, if shorter
Leasehold improvement	2% or over the lease term, if shorter
Plant and machinery	20%
Furniture and equipment	10% - 20%
Motor vehicle	30%

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets, other than goodwill as stated above, to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Investments in securities

Investments in securities are recognised on a trade-date basis and initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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 negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 each balance sheet date 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Retirement benefits scheme

The retirement benefits costs representing the contributions payable in respect of the current year to the Mandatory Provident Fund Scheme ("MPFS") and other schemes by the Group, are charged to the income statement as they fall due.

6. SEGMENT INFORMATION

The Group is mainly engaged in the manufacture and trading of gifts and novelties. The nature of products, the production processes and the methods used to distribute the products to customers in different geographical areas are similar. Accordingly, no analysis on the basis of business segment is presented. The Group's production facilities are located in the People's Republic of China (the "PRC") (other than Hong Kong) and the Socialist Republic of Vietnam ("Vietnam"). The directors of the Company consider the geographical segments by location of customers as primary source of the Group's risks and returns.

The Group's customers are mainly located in United States. The following table provides an analysis of the Group's segment information by geographical location of the Group's customers:

2004

	United States HK$'000	Canada HK$'000	Taiwan HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE						
External sales	**618,711**	**17,594**	**4,534**	**43,570**	**2,275**	**686,684**
RESULTS						
Segment results	**196,398**	**4,675**	**1,197**	**11,749**	**696**	**214,715**
Unallocated income and expenses						**(36,863)**
Profit from operations						**177,852**
Finance costs						**(89)**
Profit before taxation						**177,763**
Taxation						**(26,137)**
Profit after taxation						**151,626**
Minority interest						**184**
Net profit for the year						**151,810**
ASSETS						
Segment assets	**162,158**	**3,298**	**231**	**26,561**	**931**	**193,179**
Unallocated corporate assets						**260,828**
						454,007
LIABILITIES						
Segment liabilities	**57,471**	**1,138**	**869**	**8,534**	**724**	**68,736**
Unallocated corporate liabilities						**102,164**
						170,900
OTHER INFORMATION						
Unallocated additions to property, plant and equipment						**14,790**
Unallocated depreciation						**19,039**
Unallocated loss on disposal of property, plant and equipment						**20**
Unallocated bad debt written off						**975**

Notes to the Financial Statements

For the year ended 31st December, 2004

6. SEGMENT INFORMATION (Continued)

2003

	United States HK$'000	Canada HK$'000	Taiwan HK$'000	Hong Kong HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE						
External sales	448,983	14,824	11,713	23,254	1,583	500,357
RESULTS						
Segment results	166,018	4,043	3,476	8,554	508	182,599
Unallocated income and expenses						(23,968)
Profit from operations						158,631
Finance costs						(1,153)
Profit before taxation						157,478
Taxation						(26,312)
Net profit for the year						131,166
ASSETS						
Segment assets	120,163	1,559	1,196	12,111	313	135,342
Unallocated corporate assets						228,406
						363,748
LIABILITIES						
Segment liabilities	35,379	262	12	1,671	13	37,337
Unallocated corporate liabilities						89,113
						126,450
OTHER INFORMATION						
Unallocated additions to property, plant and equipment						30,564
Unallocated depreciation						17,658
Unallocated loss on disposal of property, plant and equipment						35

6. SEGMENT INFORMATION (Continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**217,272**	166,922	**3,926**	16,155
Vietnam	**109,823**	77,801	**10,766**	14,250
Hong Kong	**107,602**	82,573	**62**	159
Macau	**17,386**	36,452	**36**	–
	452,083	363,748	**14,790**	30,564

7. OTHER OPERATING INCOME

	2004	2003
	HK$'000	HK$'000
Interest income on bank deposits	**565**	647
Net exchange gain	**–**	5,927
Others	**1,530**	1,902
	2,095	8,476

8. PROFIT FROM OPERATIONS

	2004	2003
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
– current year	**775**	728
– underprovision in previous year	**24**	138
Bad debt written off	**975**	–
Loss on disposal of property, plant and equipment	**20**	35
Unrealised loss on investments in securities	**530**	–
Depreciation of property, plant and equipment		
– owned assets	**18,912**	17,531
– assets held under a finance lease	**127**	127
	19,039	17,658
Net exchange loss	**11**	–
Staff costs (including wages and directors' remuneration)	**112,138**	91,244

Notes to the Financial Statements

For the year ended 31st December, 2004

9. FINANCE COSTS

	2004 HK$'000	2003 HK$'000
Interest on convertible loan stock	**73**	1,091
Finance lease charges	**16**	24
Interest on bank overdraft	**–**	38
	89	1,153

10. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Directors' emoluments are analysed as follows:

	2004 HK$'000	2003 HK$'000
Fees		
Independent non-executive directors	**149**	120
Other emoluments (executive directors)		
Salaries and allowances	**2,139**	2,202
Contributions to MPFS	**65**	60
	2,353	2,382

Directors' emoluments are within the following bands:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**6**	5
HK$1,000,001 to HK$1,500,000	**1**	1

No director waived any emoluments in the two years ended 31st December, 2004.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2003: two) were directors of the Company whose emoluments are included in the above disclosures. The emoluments of the remaining three (2003: three) individuals are as follows:

	2004 HK$'000	2003 HK$'000
Salaries and allowances	**2,362**	2,029
Contributions to MPFS	**25**	24
	2,387	2,053

All employees' emoluments are within nil to HK$1,000,000 band.

11. TAXATION

	2004	2003
	HK$'000	HK$'000
Current tax:		
Hong Kong	**26,335**	24,147
Other jurisdiction	**912**	1,277
	27,247	25,424
Under (over) provision in prior year:		
Hong Kong	**95**	(1,014)
Deferred tax:		
Current year (Note 27)	**(1,205)**	1,902
Taxation attributable to the Company and its subsidiaries	**26,137**	26,312

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

According to the Investment License granted by Vietnam authority to the Vietnam subsidiaries, the Vietnam enterprise income tax rate is 10% on the estimated assessable profits during the operating period. The Vietnam subsidiaries are eligible for exemption from Vietnam enterprise income tax for four years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next four years.

Vietnam enterprise income tax is calculated at 5% (2003: 5%) on the estimated assessable profit for the year.

According to the Investment License, the tax for transferring profits of Vietnam subsidiaries outside Vietnam is calculated at 3% on the profits transferred. With the revision in tax regulation of Vietnam in current year, no tax will be charged for any profits transferred outside Vietnam.

Notes to the Financial Statements

For the year ended 31st December, 2004

11. TAXATION (Continued)

The tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	Hong Kong		Other jurisdictions		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**140,967**	133,109	**36,796**	24,369	**177,763**	157,478
Tax at the domestic income tax rate (Note)	**24,669**	23,294	**4,101**	3,182	**28,770**	26,476
Tax effect of expenses not deductible for tax purpose	**909**	1,114	**222**	339	**1,131**	1,453
Tax effect of income not taxable for tax purpose	**(290)**	(1,104)	**(2,106)**	(8)	**(2,396)**	(1,112)
Under (over) provision in respect of prior year	**95**	(1,014)	**–**	–	**95**	(1,014)
Tax effect of tax losses/ deferred tax assets not recognised	**822**	1,530	**171**	138	**993**	1,668
Utilisation of tax losses/ deferred tax assets previously not recognised	**(143)**	(28)	**(2,176)**	(2,540)	**(2,319)**	(2,568)
Others	**(137)**	1,376	**–**	33	**(137)**	1,409
Tax effect for the year	**25,925**	25,168	**212**	1,144	**26,137**	26,312

Note: The weighted average applicable tax rate for other jurisdictions was 11% (2003: 13%). The weighted average applicable tax rate represents the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of net profit or loss before taxation and the relevant statutory rates.

12. DIVIDENDS

	2004 HK$'000	2003 HK$'000
Ordinary shares:		
Interim, paid – HK8 cents (2003: HK8 cents) per share	**46,778**	25,818
Special, declared – HK3 cents (2003: HK3 cents) per share	**17,542**	13,882
Final, proposed – HK9 cents (2003: HK9 cents) per share	**52,625**	52,625
	116,945	92,325

The final dividend of HK9 cents (2003: HK9 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

13. EARNINGS PER SHARE

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

Earnings

	2004 HK$'000	2003 HK$'000
Earnings for the purposes of basic earnings per share	**151,810**	131,166
Effect of dilutive potential ordinary shares:		
Interest on convertible loan stock	**73**	1,091
Earnings for the purposes of diluted earnings per share	**151,883**	132,257

Number of shares

	2004 '000	2003 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**570,013**	366,830
Effect of dilutive potential ordinary shares:		
Convertible loan stock	**14,707**	217,890
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**584,720**	584,720

Notes to the Financial Statements

For the year ended 31st December, 2004

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvement	Plant and machinery	Furniture and equipment	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST OR VALUATION						
At 1st January, 2004	82,097	5,686	67,580	3,893	423	159,679
Exchange adjustments	(216)	–	(281)	(24)	–	(521)
Additions	801	648	12,046	1,295	–	14,790
Acquired on acquisition of subsidiaries	–	127	–	320	–	447
Disposals	(470)	–	(649)	–	–	(1,119)
At 31st December, 2004	**82,212**	**6,461**	**78,696**	**5,484**	**423**	**173,276**
Comprising						
At cost	25,012	6,461	71,833	5,484	423	109,213
At valuation– 31st December, 2001	57,200	–	6,863	–	–	64,063
	82,212	6,461	78,696	5,484	423	173,276
DEPRECIATION AND IMPAIRMENT LOSSES						
At 1st January, 2004	5,464	472	24,990	1,195	254	32,375
Exchange adjustments	(17)	–	(125)	(2)	–	(144)
Provided for the year	2,646	141	15,180	945	127	19,039
Eliminated on disposals	(470)	–	(405)	–	–	(875)
At 31st December, 2004	**7,623**	**613**	**39,640**	**2,138**	**381**	**50,395**
NET BOOK VALUES						
At 31st December, 2004	**74,589**	**5,848**	**39,056**	**3,346**	**42**	**122,881**
At 31st December, 2003	76,633	5,214	42,590	2,698	169	127,304

Leasehold land is held outside Hong Kong on medium term leases.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's leasehold land and buildings in the PRC and the plant and machinery as at 31st December, 2001 were revalued by RHL Appraisal Ltd., Chartered Surveyors, at open market value on a continued use basis. RHL Appraisal Ltd. is not connected with the Group. The directors consider that the open market value of the leasehold land and buildings and plant and machinery at 31st December, 2004 was not significantly different from their carrying values.

At 31st December, 2004, had all of the leasehold land and buildings and plant and machinery of the Group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amounts would have been HK$51,341,000 (2003: HK$54,574,000) and HK$37,004,000 (2003: HK$40,382,000) respectively.

The motor vehicle is held under a finance lease.

The Group has pledged land and buildings having a net book value of approximately HK$52,928,000 (2003: HK$ 54,352,000) to a bank for general banking facilities.

15. GOODWILL

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
COST		
Arising on acquisition of subsidiaries and at 31st December, 2004	**807**	–

In the opinion of the directors, no material impairment loss noted for goodwill as at 31st December, 2004.

16. DEPOSIT FOR ACQUISITION OF INVESTMENTS IN SUBSIDIARIES

In November 2004, the Group entered into agreements to acquire certain assets of Shelcore, Inc. and Shelcore Hong Kong Limited and the entire issued shared capital of each of Shelcore, Inc., Shelcore Hong Kong Limited, Shelcore Canada Limited and Shelcore UK Limited (together referred to as "Shelcore Companies"). Up to balance sheet date, the Group paid US$1,275,000 (approximately HK$9,945,000) to shareholders of Shelcore Companies and presented the amount paid as "deposit for acquisition of investment in subsidiaries".

The acquisition was completed on 27th January, 2005. The carrying amounts and fair values of Shelcore Companies at the date of acquisition have not yet been finalized. In the opinion of the directors, the disclosure for the financial information is impracticable.

Notes to the Financial Statements

For the year ended 31st December, 2004

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost	**88,090**	88,090
Less: Impairment losses recognised	**(88,089)**	(88,089)
	1	1
Amounts due from subsidiaries	**302,987**	153,878
Less: Allowance	**(43,901)**	(43,901)
	259,086	109,977
	259,087	109,978

The cost of the unlisted shares is based on the book value of the underlying net tangible assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1994.

Details of the principal subsidiaries at 31st December, 2004 are as follows:

Name of subsidiary	Place/ country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital/ contributed legal capital	Class of share held	Proportion of nominal value of issued capital/ registered capital/ contributed legal capital held by the Company	Principal activities
Associated Traders Hong Kong Limited	Hong Kong	HK$10,000	Ordinary	100%	Trading of gifts and novelties
Besco Enterprises Limited	Hong Kong	HK$10,000	Ordinary	100%	Manufacture of gifts and novelties
Goldpex Technology Limited	The British Virgin Islands	US$10	Ordinary	100%	Products design
Keengold Enterprises Limited	The British Virgin Islands	US$10	Ordinary	100%	Investment holding

17. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place/ country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital/ contributed legal capital	Class of share held	Proportion of nominal value of issued capital/ registered capital/ contributed legal capital held by the Company	Principal activities
Keyhinge Holdings Limited	Hong Kong	HK$10,000	Ordinary	100%	Trading of gifts and investment holding
Keyhinge Procurement Limited	Hong Kong	HK$10,000	Ordinary	100%	Purchasing
Keyhinge Toys Company Limited	The British Virgin Islands	US$10	Ordinary	100%	Trading of gifts and novelties
Keyhinge Toys Vietnam Company Limited	Vietnam	US$5,537,408	Capital contribution	100%	Manufacture of gifts and novelties
Matrix International Holdings Limited	The British Virgin Islands	US$6	Ordinary	100%	Investment holding
Matrix Investments Group Limited	The British Virgin Islands	US$10	Ordinary	100%	Investment holding
Matrix Manufacturing Limited	The British Virgin Islands	US$1	Ordinary	100%	Investment holding
Matrix Manufacturing Vietnam Company Limited	Vietnam	US$3,750,661	Capital contribution	100%	Manufacture of gifts and novelties
Matrix Plastic Manufacturing (Zhongshan) Co., Ltd	PRC	US$5,910,000	Capital contribution	100%	Manufacture of gifts and novelties
Matrix Resources Enterprise Limited	Hong Kong	HK$10,000	Ordinary	100%	Provision of management services

Notes to the Financial Statements

For the year ended 31st December, 2004

17. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place/ country of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital/ contributed legal capital	Class of share held	Proportion of nominal value of issued capital/ registered capital/ contributed legal capital held by the Company	Principal activities
Toytrix Company Limited	Hong Kong	HK$2	Ordinary	100%	Manufacture of printing materials
Matrix Development Group Limited	The British Virgin Islands	US$10	Ordinary	100%	Investment holding
Matrix Media Communications Limited	Hong Kong	HK$2	Ordinary	100%	Investment holding
深圳智又盈投資顧問有限公司 (formerly known as 深圳市智又盈投資顧問有限公司)	PRC*	RMB2,775,000	Paid up share capital	70%	Marketing and promotional services
Keyhinge Enterprises (Macao Commercial Offshore) Company Limited (formerly known as Matrix Enterprises (Macao Commercial Offshore) Company Limited)	Macau	MOP100,000	Quota capital	100%	Purchasing and trading of gifts and novelties
Keysuccess International Limited	The British Virgin Islands	US$1	Ordinary	100%	Investment holding
Maxguard Limited	The British Virgin Islands	US$10	Ordinary	100%	Investment holding

* Sino-foreign equity joint venture

17. INTERESTS IN SUBSIDIARIES (Continued)

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

All of the subsidiaries are owned indirectly by the Company except for Matrix International Holdings Limited, Matrix Investments Group Limited and Matrix Development Group Limited which are owned directly.

None of the subsidiaries had any debt securities outstanding at the end of the year.

18. INVENTORIES

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Raw materials	**53,143**	21,012
Work in progress	**29,161**	22,631
Finished goods	**83,958**	67,214
	166,262	110,857

All of the inventories above are carried at cost.

19. TRADE AND OTHER RECEIVABLES

The trade and other receivables include trade receivables of HK$44,574,000 (2003: HK$34,917,000). The Group allows a credit period of 14 to 60 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
0 - 60 days	**44,239**	34,871
61 - 90 days	**141**	–
> 90 days	**194**	46
	44,574	34,917

Notes to the Financial Statements

For the year ended 31st December, 2004

20. INVESTMENTS IN SECURITIES

The amount represents equity investments listed in United States of America, stated at market value.

21. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to a bank to secure a banking facility granted to the Group and is therefore classified as a current asset.

22. TRADE AND OTHER PAYABLES

The trade and other payables include trade payables of HK$71,536,000 (2003: HK$40,924,000).

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
0 - 60 days	**69,482**	40,213
61 - 90 days	**1,603**	174
> 90 days	**451**	537
	71,536	40,924

23. SHARE CAPITAL

	Number of shares			
	2004	2003	**2004**	2003
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$ 0.1 each				
Authorised				
At the beginning of the year	**700,000**	700,000	**70,000**	70,000
Increased at 20th April, 2004	**300,000**	–	**30,000**	–
At the end of the year	**1,000,000**	700,000	**100,000**	70,000
Issued and fully paid				
At the beginning of the year	**462,720**	322,720	**46,272**	32,272
Conversion of convertible loan stock	**122,000**	140,000	**12,200**	14,000
At the end of the year	**584,720**	462,720	**58,472**	46,272

During the year, the Company issued 122,000,000 (2003: 140,000,000) new shares to Suncorp as mentioned in note 25 below. The new shares rank pari passu with the existing shares in all respects.

24. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY				
At 1st January, 2003	55,708	3,661	39,270	98,639
Net profit for the year	–	–	107,682	107,682
Dividends paid	–	–	(54,863)	(54,863)
Special dividend declared	–	–	(13,882)	(13,882)
At 31st December, 2003	55,708	3,661	78,207	137,576
Net profit for the year	–	–	190,460	190,460
Dividends paid	–	–	(99,403)	(99,403)
Special dividend declared	–	–	(17,542)	(17,542)
At 31st December, 2004	**55,708**	**3,661**	**151,722**	**211,091**

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.

The Company's reserves available for distribution to the shareholders as at the balance sheet date are set out as follows:

	2004 HK$'000	2003 HK$'000
Contributed surplus	**3,661**	3,661
Accumulated profits	**151,722**	78,207
	155,383	81,868

25. CONVERTIBLE LOAN STOCK

THE GROUP AND THE COMPANY

The convertible loan stock issued on 30th April, 2000 carried an interest at 5% per annum on the principal amount from time to time and should be payable annually in arrears. The convertible loan stock was unsecured and could be converted into new shares by the holder at a pre-determined fixed price of HK$0.10 per share from 23rd May, 2001 to 30th April, 2005. At the end of its five years term, all the outstanding amount of the convertible loan stock must be converted into new shares in the Company at a pre-determined fixed price of HK$0.10 per share. Suncorp has the entire interest in the convertible loan stock.

During the year, Suncorp has converted an aggregate amount of HK$12,200,000 (2003: HK$14,000,000) convertible loan stock into 122,000,000 (2003: 140,000,000) shares of HK$0.10 each in the Company. All convertible loan stock had been converted in the current year.

26. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP			
	Minimum lease payments		**Present value of minimum lease payments**	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**120**	121	**113**	106
In the first to second year inclusive	**61**	182	**60**	173
	181	303	**173**	279
Less: Future finance charges	**(8)**	(24)	**–**	–
Present value of lease obligations	**173**	279	**173**	279
Less: Amount due for settlement within 12 months shown under current liabilities			**(113)**	(106)
Amount due for settlement after 12 months			**60**	173

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 4 years. For the year ended 31st December, 2004, the effective borrowing rate was 3.68% per annum. Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under a finance lease are secured by the lessor's charge over the leased asset.

27. DEFERRED TAXATION

The following are the major deferred tax liabilities and (assets) recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation HK$'000	Accelerated accounting depreciation HK$'000	Revaluation of property, plant and equipment HK$'000	Retirement benefit obligation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2003	–	–	1,955	–	–	–	1,955
Charge (credit) to income for the year	2,035	(103)	–	(43)	–	13	1,902
Credit to equity for the year	–	–	(163)	–	–	–	(163)
Eliminated on disposals of other receivables	–	–	–	–	–	(13)	(13)
Effect of change in tax rate charged to equity	–	–	183	–	–	–	183
At 31st December, 2003	2,035	(103)	1,975	(43)	–	–	3,864
Charge (credit) to income for the year	575	(203)	–	(80)	(1,330)	(167)	(1,205)
Exchange difference	–	2	–	–	–	–	2
At 31st December, 2004	**2,610**	**(304)**	**1,975**	**(123)**	**(1,330)**	**(167)**	**2,661**

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2004 HK$'000	2003 HK$'000
Deferred tax liabilities	**4,585**	3,864
Deferred tax assets	**(1,924)**	–
	2,661	3,864

Notes to the Financial Statements

For the year ended 31st December, 2004

27. DEFERRED TAXATION (Continued)

At the balance sheet date, the Group has unused estimated tax losses of HK$49,049,000 (2003: HK$44,990,000) available for offset against future profits. A deferred tax asset had been recognised in respect of HK$11,166,000 (2003: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK$37,883,000 (2003: HK$44,990,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$17,349,000 (2003: HK$25,409,000) that will expire in 2005. Other losses may be carried forward indefinitely.

The Company has no material deferred taxation for the year and at the balance sheet date.

28. ACQUISITION OF SUBSIDIARIES

On 31st October, 2004, the Group acquired 70% interest in 深圳智又盈投資顧問有限公司 (formerly known as 深圳市智又盈投資顧問有限公司) ("深圳智又盈") and its subsidiary. The acquisition has been accounted for by the purchase method. The amount of goodwill arising as a result of the acquisition was HK$807,000.

	Carrying amounts recognised under HKFRSs HK$'000	**Fair values** HK$'000
Net assets acquired		
Property, plant and equipment	447	447
Trade and other receivables	1,670	1,670
Bank balances and cash	1,261	1,261
Trade and other payables	(2,322)	(2,322)
Minority interest	(316)	(316)
	740	740
Goodwill		807
Total consideration		1,547
Satisfied by:		
Cash		1,547
Net cash outflow arising on acquisition:		
Cash consideration		(1,547)
Bank balances and cash acquired		1,261
		(286)

28. ACQUISITION OF SUBSIDIARIES (Continued)

The subsidiary acquired during the year did not contribute significantly to the Group's cash flows, turnover and profit from operations.

Unaudited pro forma turnover and results of operations for 深圳智又盈 have not been presented as the amounts were insignificant to the Group.

29. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2004, convertible loan stock of HK$12,200,000 (2003: HK$14,000,000) was converted into 122,000,000 (2003: 140,000,000) shares of HK$0.10 each in the Company.

30. CONTINGENT LIABILITIES

THE COMPANY

The Company had given guarantee to a bank in respect of general facilities granted to its subsidiary which had not been utilised at the balance sheet date.

31. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Minimum lease payments in respect of land and buildings under operating leases recognised in the income statement for the year	**2,267**	3,645

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Within one year	**1,162**	955
In the second to fifth year inclusive	**1,329**	720
After five years	**4,250**	4,636
	6,741	6,311

Operating lease payments represent rentals payable by the Group for its factory properties and office properties. Leases are negotiated for a term of 8 to 20 years for factory properties and a term of 1 to 3 years for office properties. The rentals are fixed throughout the lease period.

Notes to the Financial Statements

For the year ended 31st December, 2004

32. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	1,677	68
Capital expenditure in respect of the acquisition of subsidiaries contracted for but not provided in the financial statements	58,114	–

33. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following related party transactions:

	2004	2003
	HK$'000	HK$'000
Interest paid or payable on convertible loan stock to ultimate holding company (Note a)	73	1,091
Rental paid or payable to a related company (Note b)	144	160
Purchases of plant and equipment from a related company (Note c)	920	–

Notes:

a. The interest paid or payable on convertible loan stock to Suncorp is calculated at 5% per annum on the principal amount outstanding from time to time and shall be payable annually in arrears.

b. The rental paid or payable to a related company is determined in accordance with a tenancy agreement entered between a wholly owned subsidiary of the Group and a related company.

c. The consideration paid to a related company is according to the relevant contract signed.

Mr. Cheng Yung Pun, a director of the Company, has beneficial interest in Suncorp and the related companies.

34. SHARE OPTION SCHEME

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

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

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

No options have been granted since the establishment of the Scheme.

35. RETIREMENT BENEFIT SCHEMES AND MANDATORY PROVIDENT FUND

The Group operates a MPFS for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the scheme which is matched by the employee.

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

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

The retirement benefits cost charged to income statement of approximately HK$2,339,000 (2003: HK$1,862,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the various schemes.

36. POST BALANCE SHEET EVENT

On 16th November, 2004, the Group entered into agreements to acquire Shelcore Companies for a total consideration of US$8.5 million (approximately HK$66.3 million) from third parties. The Shelcore Companies are US-based toy companies specializing in the design, manufacturing and sale of plastic toys for infant and pre-school children. The acquisition was successfully completed in January 2005.

Financial Summary

	Year ended 31st December,				
	2000	2001	2002	2003	**2004**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	35,472	195,039	395,644	500,357	**686,684**
Profit from operations	13,411	38,378	116,567	158,631	**177,852**
Finance costs	(1,467)	(2,210)	(1,626)	(1,153)	**(89)**
Restructuring costs recovered (charged)	(10,590)	4,654	–	–	**–**
Waiver of indebtedness	189,441	–	–	–	**–**
Profit before taxation	190,795	40,822	114,941	157,478	**177,763**
Taxation	(57)	(5,147)	(13,002)	(26,312)	**(26,137)**
Profit after taxation	190,738	35,675	101,939	131,166	**151,626**
Minority interest	–	–	–	–	**184**
Profit for the year	190,738	35,675	101,939	131,166	**151,810**

	At 31st December,				
	2000	2001	2002	2003	**2004**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	92,739	177,861	265,992	363,748	**454,007**
Total liabilities	(59,238)	(109,433)	(102,175)	(126,450)	**(170,900)**
Minority interest	–	–	–	–	**(132)**
Shareholders' equity	33,501	68,428	163,817	237,298	**282,975**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Matrix Holdings Limited (the "Company") will be held at Kowloon Room I, Mezzanine Floor, Kowloon Shangri-La Hong Kong, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 20th April, 2005 at 2:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 31st December, 2004 together with the Reports of the Directors and Auditors thereon.

2. To declare a final dividend.

3. To re-elect directors and authorize the Board of Directors to fix their remuneration.

4. To re-appoint auditors and authorize the Board of Directors to fix their remuneration.

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions and Special Resolutions respectively:

ORDINARY RESOLUTIONS

A. "**THAT**

(a) subject to paragraph (c) of this Resolution, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares of the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company; or (iii) the exercise of the share option scheme adopted and approved by the Company at the general meeting of the Company held on 17th December, 2002; or (iv) an issue of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares or offer or issue of warrants or options to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company)."

B. "**THAT**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its own shares on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and is recognized by the Securities and Future Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

C. "**THAT** conditional upon the passing of the Resolutions set out in paragraph 5A and 5B of the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares of the Company pursuant to the Resolution set out in paragraph 5A of the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the shares of the Company repurchased by the Company under the authority granted pursuant to the Resolution set out in paragraph 5B of the notice convening this meeting."

SPECIAL RESOLUTION

D. "**THAT** the Bye-laws of the Company be amended by:

(a) deleting the existing Bye-law 91 which reads "Without prejudice to the power of the Company in pursuance of the provisions of the Bye-Laws to appoint any person to be a Director and subject to the provisions of the Act, the Directors may appoint any person to be a Director as an additional Director or to fill a casual vacancy but so that the maximum number of Directors so appointed shall not exceed the number determined from time to time by the members in general meeting. Any person so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election." and substituting therefor the following new Bye-law 91:

"Without prejudice to the power of the Company in pursuance of the provisions of the Bye-Laws to appoint any person to be a Director and subject to the provisions of the Act, the Directors may appoint any person to be a Director as an additional Director or to fill a casual vacancy but so that the maximum number of Directors so appointed shall not exceed the number determined under Bye-Law 102. Any person so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election."

(b) deleting the existing Bye-law 97 (vii) which reads "shall be removed from office by a special resolution of the Company under Bye-Law 90; or" and substituting therefor the following new Bye-law 97(vii):

"shall be removed from office by an ordinary resolution of the Company under Bye-Law 90; or"

Notice of Annual General Meeting

(c) deleting the existing Bye-law 99 which reads "At each annual general meeting one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the Chairman and the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. A Director retiring at a meeting shall retain office until the close of the meeting. The Directors to retire shall, subject as aforesaid, be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Directors at the date of the notice convening the annual general meeting and no Director shall be required to retire or be relieved from retiring by reason of any change in the number and identity of the Directors after the date of such notice but before the close of the meeting. The retiring Directors shall be eligible for re-election." and substituting therefor the following new Bye-law 99:

"At each annual general meeting one-third of the Directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third but not less than one-third shall retire from office. A Director retiring at a meeting shall retain office until the close of the meeting so that each Director shall retire at least once every three years. The Directors to retire shall, subject as aforesaid, be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Directors at the date of the notice convening the annual general meeting and no Director shall be required to retire or be relieved from retiring by reason of any change in the number and identity of the Directors after the date of such notice but before the close of the meeting. The retiring Directors shall be eligible for re-election."

(d) deleting the existing Bye-law 102 which reads "The Company may from time to time in general meeting by ordinary resolution fix, increase or reduce the maximum and minimum number of Directors but so that the number of Directors shall never be less than 2." and substituting therefor the following new Bye-law 102:

"Unless otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be less than 2 and more than 20 provided that the minimum number of Directors shall never be less than 2.""

By Order of the Board
Lai Mei Fong
Company Secretary

Hong Kong, 23rd March, 2005

Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the forms of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practise in Hong Kong), must be deposited with the branch share registrars of the Company in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the above meeting or any adjournment thereof.

4. The register of members of the Company will be closed from 15th April, 2005 (Friday) to 20th April, 2005 (Wednesday), both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend and attending and voting at the above meeting or any adjournment thereof, all share transfers, accompanied by the relevant share certificates, must be lodged with the branch share registrars of the Company in Hong Kong, Secretaries Limited at the above address for registration not later than 4:00 p.m. on 14th April, 2005.

5. An explanatory statement containing further details regarding the proposed Resolutions set out in the notice (except Resolutions 1 to 4) convening the above meeting will be sent to members of the Company together with the annual report 2004.

6. The Directors wish to state that the above proposed Special Resolution is mainly to facilitate the flexibility under the recent amendments of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

7. The translation into Chinese language of this notice (including the Special Resolution) which contains the proposed new Bye-laws) is for reference only. In case of any inconsistency, the English version shall prevail.

8. For the sake of good corporate governance practice, the Chairman intends to demand poll voting for all the resolutions set out in the notice of the annual general meeting.