

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2000

**13. PROPERTY, PLANT AND EQUIPMENT**

|                                | Leasehold<br>land and<br>buildings<br><i>HK\$'000</i> | Leasehold<br>improvement<br><i>HK\$'000</i> | Plant and<br>machinery<br><i>HK\$'000</i> | Furniture<br>and<br>equipment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------|---|---|---|--|--------------------------|
| <b>THE GROUP</b>               |   |   |   |  |                          |
| COST OR VALUATION              |   |   |   |  |                          |
| At 1st January, 2000           | 134,702   | –   | 52,427                                    | –  | 187,129                  |
| Additions                      | –   | 55  | 320                                       | 434  | 809                      |
| Eliminated upon revaluation    | (74,782)  | –   | (34,927)                                  | –  | (109,709)                |
| At 31st December, 2000         | 59,920  | 55  | 17,820                                    | 434  | 78,229                   |
| Comprising:                    |   |   |   |  |                          |
| At cost                        | 470   | 55  | 320                                       | 434  | 1,279                    |
| At valuation – 30th June, 2000 | 59,450  | –   | 17,500                                    | –  | 76,950                   |
|                                | 59,920  | 55  | 17,820                                    | 434  | 78,229                   |
| DEPRECIATION                   |   |   |   |  |                          |
| At 1st January, 2000           | 74,782  | –   | 34,927                                    | –  | 109,709                  |
| Provided for the year          | 1,417   | 9   | 3,502                                     | 87   | 5,015                    |
| Eliminated upon revaluation    | (74,782)  | –   | (34,927)                                  | –  | (109,709)                |
| At 31st December, 2000         | 1,417   | 9   | 3,502                                     | 87   | 5,015                    |
| NET BOOK VALUES                |   |   |   |  |                          |
| At 31st December, 2000         | 58,503  | 46  | 14,318                                    | 347  | 73,214                   |
| At 31st December, 1999         | 59,920  | –   | 17,500                                    | –  | 77,420                   |

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**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

The net book value of properties shown above comprises:

|   | Leasehold<br>land and buildings |                  |
|---|---------------------------------|------------------|
|   | 2000<br>HK\$'000                | 1999<br>HK\$'000 |
| Land in Hong Kong held on medium term lease | 734                             | 750              |
| Land outside Hong Kong held on              |                                 |                  |
| Long lease                                  | –                               | 470              |
| Medium term lease                           | 57,769                          | 58,700           |
|   | <b>58,503</b>                   | <b>59,920</b>    |

The Group's leasehold land and buildings in Hong Kong and in the People's Republic of China ("the PRC") and the plant and machinery were revalued at 30th June, 2000 by Francis Lau & Co., (Surveyors) Ltd., at open market value on a continued use basis. The valuations did not give rise to a revaluation surplus or deficit. Francis Lau & Co., (Surveyors) Ltd. has over twenty seven years and twenty years of experience in Hong Kong and the PRC property market respectively. At 31st December, 2000, had all of the leasehold land and buildings and plant and machinery of the Group been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$113,350,000 (1999: HK\$116,062,000) and approximately HK\$986,000 (1999: HK\$3,005,000) respectively.

**14. INTERESTS IN SUBSIDIARIES**

|   | THE COMPANY      |                  |
|---|------------------|------------------|
|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Unlisted shares, at cost                | 88,090           | 88,090           |
| Less: Provision for diminution in value | (88,089)         | (88,089)         |
|   | <b>1</b>         | <b>1</b>         |
| Amounts due from subsidiaries           | 86,510           | 24,266           |
| Provision                               | (63,806)         | (24,266)         |
|   | <b>22,704</b>    | <b>–</b>         |
|   | <b>22,705</b>    | <b>1</b>         |

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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2000

**14. INTERESTS IN SUBSIDIARIES (continued)**

Details of the principal subsidiaries at 31st December, 2000 are as follows:

| Name of subsidiary                                       | Place of incorporation/<br>registration/<br>operation | Issued and<br>fully paid<br>share capital/<br>registered<br>capital | Proportion of<br>nominal value<br>of issued<br>capital/registered<br>capital held by<br>the Company | Principal activities                  |
|--|---|---|---|---------------------------------------|
| Associated Traders<br>Hong Kong Limited                  | Hong Kong   | HK\$10,000  | 100%  | Trading of gifts<br>and novelties     |
| Matrix Distribution<br>Limited                           | The British<br>Virgin Islands                         | US\$1   | 100%  | Investment holding                    |
| Matrix International<br>Holdings Limited                 | The British<br>Virgin Islands                         | US\$6   | 100%  | Investment holding                    |
| Matrix Manufacturing<br>Limited                          | The British<br>Virgin Islands                         | US\$1   | 100%  | Investment holding                    |
| Matrix Plastic<br>Manufacturing<br>(Zhongshan) Co., Ltd. | PRC   | US\$5,910,000   | 100%  | Manufacture of gifts<br>and novelties |
| Matrix Properties<br>Limited                             | The British<br>Virgin Islands                         | US\$1   | 100%  | Investment holding                    |
| Supertact Limited  | Hong Kong   | HK\$1,000   | 100%  | Property holding                      |

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 which is owned directly.

None of the subsidiaries had any loan capital outstanding at the end of the year.

**NOTES TO THE FINANCIAL STATEMENTS**

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**15. INVENTORIES**

|                  | THE GROUP       |                 |
|------------------|-----------------|-----------------|
|                  | 2000            | 1999            |
|                  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Raw materials    | 500             | –               |
| Work in progress | 910             | –               |
| Finished goods   | 1,711           | –               |
|                  | <b>3,121</b>    | <b>–</b>        |

All of the inventories above are carried at cost.

**16. TRADE AND OTHER RECEIVABLES**

The trade and other receivables include trade receivables of HK\$8,322,000 (1999: Nil). The Group allows an average credit period of 45 days to its trade customers.

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

|              | THE GROUP       |                 |
|--------------|-----------------|-----------------|
|              | 2000            | 1999            |
|              | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 60 days  | 7,918           | –               |
| 61 – 90 days | 404             | –               |
| > 90 days    | –               | –               |
|              | <b>8,322</b>    | <b>–</b>        |

**17. TRADE AND OTHER PAYABLES**

The trade and other payables include trade payables of HK\$2,468,000 (1999: Nil).

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

|              | THE GROUP       |                 |
|--------------|-----------------|-----------------|
|              | 2000            | 1999            |
|              | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 60 days  | 694             | –               |
| 61 – 90 days | 232             | –               |
| > 90 days    | 1,542           | –               |
|              | <b>2,468</b>    | <b>–</b>        |

**NOTES TO THE FINANCIAL STATEMENTS**

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**18. SHARE CAPITAL**

|                                | Number of shares |              |                  |                  |
|--------------------------------|------------------|--------------|------------------|------------------|
|                                | 2000<br>'000     | 1999<br>'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Authorised*                    | 700,000          | 700,000      | 70,000           | 70,000           |
| Issued and fully paid*         |                  |              |                  |                  |
| At the beginning of the year   | 447,200          | 447,200      | 44,720           | 44,720           |
| Capital reduction (note (a))   | (402,480)        | –            | (40,248)         | –                |
| Issue of new shares (note (b)) | 100,000          | –            | 10,000           | –                |
| At the end of the year         | 144,720          | 447,200      | 14,472           | 44,720           |

\* Prior to 30th April, 2000, the shares in the Company carried a nominal value of HK\$0.10 each. As a result of the capital reduction and the share consolidation as explained in note (a) below, the shares in the Company was reduced from nominal value of HK\$0.10 each to HK\$0.01 each and, immediate after the capital reduction, consolidated ten issued shares of HK\$0.01 each to HK\$0.10 each. Consequently, the issued shares were treated as the new shares as explained in note (a)(iii) of the Company below and the nominal value was again carried at HK\$0.10 each.

- (a) Pursuant to the special and ordinary resolutions passed at a Special General Meeting of the Company held on 30th April, 2000,
- (i) in accordance with section 46 of the Companies Act 1981 of Bermuda, the issued share capital of the Company was reduced from HK\$44,720,000 by an amount of HK\$40,248,000 to HK\$4,472,000 by cancelling paid-up capital to the extent of HK\$0.09 on each of the 447,200,000 issued shares of HK\$0.10 in the capital of the Company so that each of the 447,200,000 shares of HK\$0.10 in the capital of the Company to be treated as one fully paid share of HK\$0.01 in the capital of the Company (the "Capital Reduction");
  - (ii) the directors were authorised to apply the credit arising as a result of the Capital Reduction to write off part of the retained losses of the Company; and
  - (iii) every ten issued shares of HK\$0.01 each in the capital of the Company was consolidated into one new share of HK\$0.10 (the "New Shares") (the "Share Consolidation").
- (b) At the Special General Meeting of the Company held on 30th April, 2000, the directors approved the Subscription Agreement (the "Subscription Agreement") as set out in note 2 (a) between the Company and MRL. Pursuant to the Subscription Agreement, MRL agreed to subscribe for and the Company agreed to issue 100 million New Shares as explained in note (a)(iii) above in the capital of the Company at a subscription price of HK\$0.10 per share, and the Company agreed to issue to MRL convertible loan stock in the amount of HK\$30 million as set out in note 2 (a). The subscription of the New Shares was completed on 30th April, 2000.

**NOTES TO THE FINANCIAL STATEMENTS**

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**19. SHARE OPTION SCHEME**

Pursuant to a share option scheme adopted on 26th January, 1994, the Company may grant options to employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company, at a price equal to the higher of the nominal value of a share or 80% of the average closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options. The maximum number of shares in respect of which options may be granted under the share option scheme cannot exceed 10% of the issued share capital of the Company from time to time.

No options under the scheme were granted or exercised during the year and there are no outstanding options at 31st December, 2000.

**20. RESERVES**

|  | Share<br>premium<br><i>HK\$'000</i> | Special<br>reserve<br><i>HK\$'000</i> | Contributed<br>surplus<br><i>HK\$'000</i> | Retained<br>profits<br>(losses)<br><i>HK\$'000</i> | Other asset<br>revaluation<br>reserve<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------------------|---------------------------------------|---|--|--|--------------------------|
| <b>THE GROUP</b>   |                                     |                                       |   |  |  |                          |
| At 1st January, 1999   | 55,708                              | 971                                   | –   | (221,100)  | 15,170   | (149,251)                |
| Net loss for the year  | –                                   | –                                     | –   | (60,079)   | –  | (60,079)                 |
| At 31st December, 1999                                       | 55,708                              | 971                                   | –   | (281,179)  | 15,170   | (209,330)                |
| Realised upon liquidation<br>of a subsidiary                 | –                                   | (200)                                 | –   | –  | –  | (200)                    |
| Capital reduction ( <i>note 18 (a)</i> )                     | –                                   | –                                     | –   | 40,248   | –  | 40,248                   |
| Net profit for the year                                      | –                                   | –                                     | –   | 190,738  | –  | 190,738                  |
| At 31st December, 2000                                       | 55,708                              | 771                                   | –   | (50,193)   | 15,170   | 21,456                   |
| <b>THE COMPANY</b>   |                                     |                                       |   |  |  |                          |
| At 1st January, 1999   | 55,708                              | –                                     | 85,303                                    | (188,283)  | –  | (47,272)                 |
| Net loss for the year  | –                                   | –                                     | –   | (152,389)  | –  | (152,389)                |
| Realised upon commencement<br>of liquidation of a subsidiary | –                                   | –                                     | (29,101)                                  | 29,101   | –  | –                        |
| At 31st December, 1999                                       | 55,708                              | –                                     | 56,202                                    | (311,571)  | –  | (199,661)                |
| Capital Reduction ( <i>note 18 (a)</i> )                     | –                                   | –                                     | –   | 40,248   | –  | 40,248                   |
| Net profit for the year                                      | –                                   | –                                     | –   | 176,876  | –  | 176,876                  |
| At 31st December, 2000                                       | 55,708                              | –                                     | 56,202                                    | (94,447)   | –  | 17,463                   |

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December, 2000

**20. RESERVES (continued)**

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 the group reorganisation in 1994.

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 the 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.

In the opinion of directors, the Company had no reserves available for distribution to the shareholders.

**21. CONVERTIBLE LOAN STOCK**

After the completion of the restructuring as explained in note 2 (a), on 30th June, 2000, Suncorp has entered into an agreement with MRL, Best Fortune Profits Limited, Mr. Wong and Oilpro, pursuant to which Suncorp has acquired entire interest of the convertible loan stock. Details of the convertible loan stock are set out in note 2 (a).

**NOTES TO THE FINANCIAL STATEMENTS**

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**22. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

|   | 2000<br><i>HK\$'000</i> | 1999<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit (loss) before taxation   | 190,795                 | (60,079)                |
| Gain on deconsolidation of a subsidiary upon commencement of liquidation  | –                       | (128,510)               |
| Loss incurred in respect of guarantees given to bankers and leasing companies in respect of banking facilities utilised by a subsidiary which has commenced liquidation | –                       | 147,748                 |
| Loss arising from liabilities of a subsidiary being taken up by the Group   | –                       | 4,512                   |
| Waiver of indebtedness  | (189,441)               | –                       |
| Distribution from liquidation of a subsidiary   | (1,257)                 | –                       |
| Interest income   | (24)                    | (2)                     |
| Interest expenses   | 1,467                   | 2,477                   |
| Depreciation  | 5,015                   | 6,275                   |
| Special reserve realised upon liquidation of a subsidiary   | (200)                   | –                       |
| Decrease in subsidiary not consolidated   | –                       | 406                     |
| Decrease in bills receivable  | –                       | 505                     |
| (Increase) decrease in trade and other receivables  | (12,378)                | 257                     |
| Increase in inventories   | (3,121)                 | –                       |
| (Decrease) increase in trade and other payables   | (2,920)                 | 19,226                  |
| <b>Net cash outflow from operating activities</b>   | <b>(12,064)</b>         | <b>(7,185)</b>          |



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

### 23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

|  | Share<br>capital<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | Convertible<br>loan stock<br>HK\$'000 | Advance<br>from a<br>former<br>director<br>HK\$'000 | Amount<br>due to a<br>subsidiary<br>not<br>consolidated<br>HK\$'000 | Bank<br>borrowings<br>HK\$'000 | Obligations<br>under finance<br>leases and<br>hire purchase<br>contracts<br>HK\$'000 |
|--|------------------------------|--------------------------------|---------------------------------------|---|---|--------------------------------|--|
| Balance at 1st January, 1999   | 44,720                       | 971                            | -                                     | 848   | -   | 151,923                        | 11,671   |
| Net advances from a former director  | -                            | -                              | -                                     | 3,352   | -   | -                              | -  |
| Repayment of bank borrowings   | -                            | -                              | -                                     | -   | -   | (9,200)                        | -  |
| Repayment of obligations under<br>finance leases and hire purchase<br>contracts            | -                            | -                              | -                                     | -   | -   | -                              | (675)  |
| Other movements not involving<br>cash flows:   |                              |                                |                                       |   |   |                                |  |
| Liabilities arising from<br>guarantee given in respect of<br>a subsidiary not consolidated | -                            | -                              | -                                     | -   | -   | 135,748                        | 12,000   |
| Effect of deconsolidation of a<br>subsidiary under liquidation                             | -                            | -                              | -                                     | -   | 68,222  | (139,480)                      | (10,935)   |
| Balance at 31st December, 1999   | 44,720                       | 971                            | -                                     | 4,200   | 68,222  | 138,991                        | 12,061   |
| Reclassification of liabilities  |                              |                                |                                       |   |   |                                |  |
| Rental payable   | -                            | -                              | -                                     | -   | -   | 4,512                          | -  |
| Repayment of financial creditors   | -                            | -                              | -                                     | -   | (6,345)   | (14,000)                       | -  |
| Repayment to a former director   | -                            | -                              | -                                     | (4,200)   | -   | -                              | -  |
| Issue of shares  | 10,000                       | -                              | -                                     | -   | -   | -                              | -  |
| Issue of convertible loan stock  | -                            | -                              | 44,000                                | -   | -   | (14,000)                       | -  |
| Capital reduction  | (40,248)                     | -                              | -                                     | -   | -   | -                              | -  |
| Other movements not involving<br>cash flows:   |                              |                                |                                       |   |   |                                |  |
| Realised upon liquidation<br>of a subsidiary   | -                            | (200)                          | -                                     | -   | -   | -                              | -  |
| Waiver of indebtedness   | -                            | -                              | -                                     | -   | (61,877)  | (115,503)                      | (12,061)   |
| Balance at 31st December, 2000   | 14,472                       | 771                            | 44,000                                | -   | -   | -                              | -  |

### 24. CAPITAL COMMITMENTS

Neither the Group nor the Company had any significant capital commitments at the balance sheet date.

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**25. OPERATING LEASE COMMITMENTS**

At the balance sheet date, the Group had the commitments payable within the next year under non-cancellable operating lease in respect of rented premise as follows:

|   | THE GROUP        |                  |
|---|------------------|------------------|
|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Operating lease which expires in the second to fifth year inclusive | 720              | –                |

**26. CONTINGENT LIABILITIES**

MPMZ has been served a writ from Nam Guang Trading Company (“Nam Guang”) regarding a breach of five years distribution agreement (“the agreement”) signed between China Win Universal Group Ltd. (“China Win”), the subsidiary of Nam Guang, and MPMZ on 8th March, 1999. According to a civil litigation certificate issued by China Win, it asks for damage for failure to perform the agreement by MPMZ in amount of approximately US\$194,000. The directors based on legal opinion given by the Group’s legal counsel, consider that this claim should not significantly affect the financial results of the Group and, accordingly, no provision for liability has been made in these financial statements.

**27. RELATED PARTY TRANSACTIONS**

During the year, the Company entered into the following transaction with its ultimate holding company:

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| Accrued interest on convertible loan stock | 1,467            | –                |

The terms of transaction are set out in note 2 (a).

The balance sheet items are shown in the consolidated balance sheet and balance sheet of the Company on page 18 and page 19 respectively.

The comparative information for prior year is not presented as such information is not available.

In addition to the above, the ultimate holding company has provided working capital facilities to the Company up to HK\$10,000,000 for one year from 30th August, 2000.

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**28. RETIREMENT BENEFIT SCHEME AND MANDATORY PROVIDENT FUND**

The Group formerly operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees. The provident fund scheme contributions represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. At the balance sheet date, there was no forfeited contributions (1999: Nil) to the scheme.

In December 2000, the Group changed its retirement benefits scheme to Mandatory Provident Fund ("MPF"). According to the MPF legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1st December, 2000, the Group is required to participate in MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages as calculated under the MPF legislation.