

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