

Chairman's Statement

Dear Shareholders,

I am pleased to present this annual report for the financial year ended 31 December 2003 to you all. The Group had another successful year and continued to achieve record turnover and profit with solid earning growth. Turnover increased by 26.5% to HK\$500,357,000 and net profit rose by 28.7% to HK\$131,166,000.

During the year under review, the Group continued to focus on its expansion target involving product diversification and new business development. Following the expansion of production capacity in its Zhongshan plant and the acquisition of our first plant in Vietnam in 2002, the Group established an additional new production plant in Vietnam and commenced production in July 2003. Our new Vietnam plant equipped with approximately 3,000 sewing machines, serves as the Group's strong manufacturing arm for producing plush soft toys. The Group also launched new business of promotional materials and inserts printing during the year. The addition of this new business provided the Group with a platform for vertical integration, with an aim of offering a one-stop solution to the customers.

The Asian economy was gradually recovering despite the SARS epidemics in early 2003, and the war in Iraq, followed by the outbreak of bird flu in certain Asian countries. Supported by our strong management team and responsive control strategies, we are fortunate that this outbreak made no impact on the smooth-running of the Group's business operations.

Looking forward, the Group will continue to implement various business plans and grow strategically through acquisitions and joint ventures in the forthcoming years. With the groundwork being laid on its existing businesses and sound financial position, the Group will make its best endeavors to accomplish continued growth and enhance value for its shareholders in the year of 2004.

Thanks for being our valuable members in the past years, giving us incredible support and trust which in turn motivate us to achieve greater success and fruitful returns. Taking this opportunity, I would also like to thank other stakeholders, including customers, suppliers, employees, and others, for their crucial involvements in the long-term success of the Group and finally, to give my special thanks to all my colleagues for their commitments and efforts during this significant year. I am confident that Matrix is set to strive for more promising results in the years ahead.

Cheng Yung Pun
Chairman

Hong Kong, 16 March 2004