

For the year ended 31st December, 2003

I. 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 15.

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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Society of Accountants (HKSA), the term of HKFRS is inclusive of Statements of Standard Accounting Practice (SSAPs) and Interpretations approved by the HKSA:

SSAP 12 (Revised) Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the balance on the Group's other asset revaluation reserves at 1st January, 2002 has been decreased by HK\$2.3 million, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's property, plant and equipment at that date. The change has resulted in an increase in other asset revaluation reserves by HK\$0.3 million for the year ended 31st December, 2002 and a decrease in other asset revaluation reserves by HK\$0.02 million for the year ended 31st December, 2003.



For the year ended 31st December, 2003

4. 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.

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.

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.



For the year ended 31st December, 2003

4. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

Construction in progress represents buildings in the course of development for production or administrative purposes or for the purposes not yet determined, and is carried at cost, less any identified impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, 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%

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.



For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets 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.

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.



For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenses 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 to income or as 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.

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 effects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.



For the year ended 31st December, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 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 charged in the income statement represent the contributions payable in respect of the current year to the Mandatory Provident Fund Scheme ("MPFS") and other schemes by the Group.

5. **SEGMENT INFORMATION**

The Group is 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.



For the year ended 31st December, 2003

5. **SEGMENT INFORMATION** (Continued)

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:

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	144.010	4.040	2.47/	0.554	500	100 500
Segment results Unallocated income	166,018	4,043	3,476	8,554	508	182,599
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	10					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						89,113
						126,450
OTHER INFORMATION						
Unallocated additions to						
property, plant and equipment						30,564
Unallocated depreciatio	n					17,658



For the year ended 31st December, 2003

5. **SEGMENT INFORMATION** (Continued)

2002

	United States HK\$'000	Canada HK\$'000	Taiwan HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	351,796	22,943	18,018	2,887	-	395,644
RESULTS						
Segment results	136,849	6,435	5,316	1,036	_	149,636
Unallocated income						
and expenses						(33,069)
Profit from operations						116,567
Finance costs	1					(1,626)
Profit before taxation						114,941
Taxation						(13,002)
						(10,000)
Net profit for the year	100					101,939
ASSETS						
Segment assets	81,296	3,295	2,863	512	461	88,427
Unallocated corporate						
assets						177,565
						265,992
LIABILITIES						
Segment liabilities	27,748	824	2,504	57	24	31,157
Unallocated corporate	27,710	021	2,501	· ·		31,107
liabilities						71,018
	1				- /	100 175
						102,175
OTHER INFORMATION						
Unallocated additions to						
property, plant and						
equipment						30,034
Unallocated depreciation						13,949
Impairment losses recogni	sed					471



For the year ended 31st December, 2003

5. **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:

	Carr	rying	Additions to property, plant		
	amou	ınt of			
	segmen	t assets	and equipment		
	2003	2002	2003	2002	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
PRC	166,922	132,348	16,155	15,870	
Vietnam	77,801	67,894	14,250	13,330	
Hong Kong	82,573	55,028	159	834	
Macau	36,452	10,722	_	_	
1.0					
	363,748	265,992	30,564	30,034	

6. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Interest income on bank deposits	647	97
Net exchange gain	5,927	3,478
Profit on disposal of property, plant and equipment	_	176
Others	1,902	1,894
	8,476	5,645



For the year ended 31st December, 2003

7. PROFIT FROM OPERATIONS

	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
- current year	728	601
- underprovision in previous year	138	70
Impairment losses recognised in respect of		
property, plant and equipment	_	451
Loss on disposal of property, plant and equipment	35	_
Depreciation of property, plant and equipment		
- owned assets	17,531	13,822
- assets held under a finance lease	127	127
	17,658	13,949
Staff costs (including wages and directors' remuneration)	91,244	66,384
	- ,	, , , , , ,

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on convertible loan stock Finance lease charges Interest on bank overdraft	1,091 24 38	1,612 14 -
	1,153	1,626



For the year ended 31st December, 2003

9. DIRECTORS' EMOLUMENTS

Directors' emoluments are analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Fees		
Independent non-executive directors	120	120
Other emoluments (executive directors)		
Salaries and allowances	2,202	2,551
Contributions to MPFS	60	65
	2,382	2,736

Directors' emoluments are within the following bands:

	Number of directors		
	2003	2	2002
Nil to HK\$1,000,000	3		3
HK\$1,000,001 to HK\$1,500,000	I		- 1

No director waived any emoluments in the two years ended 31st December, 2003.

10. HIGHEST PAID EMPLOYEES

The five highest paid individuals included two (2002: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2002: three) highest paid individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and allowances Contributions to MPFS	2,029 24	2,930 28
	2,053	2,958

Employees' emoluments are within the following bands:

	Number of employees		
	2003	2002	
Nil to HK\$1,000,000	3	2	
HK\$1,000,001 to HK\$1,500,000	-	1	



For the year ended 31st December, 2003

II. TAXATION

	2003	2002
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	24,147	11,650
Other jurisdiction	1,277	1,400
// /		
	25,424	13,050
Overprovision in prior year:	ŕ	
·	(1.014)	(40)
Hong Kong	(1,014)	(48)
Deferred tax:		
Current year (Note 25)	1,902	_
Toyation attributable to the Company and its subsidiaries	26,312	12.002
Taxation attributable to the Company and its subsidiaries	20,312	13,002

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

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% (2002: 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. No provision for such tax has been made as the Group currently has no intention of transferring profits of the Vietnam subsidiaries outside Vietnam.



For the year ended 31st December, 2003

II. TAXATION (Continued)

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

	Hor	ng Kong	Other ju	jurisdictions 1		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	
Profit before taxation	133,109	75,331	24,369	39,610	157,478	114,941	
Tax at the domestic income tax rate	23,294	12,053	3,182	3,495	26,476	15,548	
Tax effect of expenses not deductible for tax purpose	1,114	553	339	35	1,453	588	
Tax effect of income not taxable for tax purpose	(1,104)	(19)	(8)	(465)	(1,112)	(484)	
Overprovision in respect of prior year	(1,014)	(48)	-	-	(1,014)	(48)	
Tax effect of tax losses/ deferred tax assets not recognised	1,530	595	138	-	1,668	595	
Utilisation of tax losses/ deferred tax assets previously not							
recognised	(28)	-	(2,540)	(1,988)	(2,568)	(1,988)	
Others	1,376	(1,532)	33	323	1,409	(1,209)	
Tax effect for the year	25,168	11,602	1,144	1,400	26,312	13,002	



For the year ended 31st December, 2003

12. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Ordinary shares:		
Interim, paid – HK8 cents (2002: HK8 cents) per share	25,818	25,818
Special, declared - HK3 cents (2002: nil) per share	13,882	_
Final, proposed – HK9 cents (2002: HK9 cents) per share	52,625	29,045
/· -		-
	92,325	54,863

The final dividend of HK9 cents (2002: 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

	2003 HK\$'000	2002 HK\$'000
Earnings for the purposes of basic earnings per share	131,166	101,939
Effect of dilutive potential ordinary shares: Interest on convertible loan stock	1,091	1,612
Earnings for the purposes of diluted earnings per share	132,257	103,551
Number of shares		
	2003 '000	2002 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	366,830	262,366
Effect of dilutive potential ordinary shares: Convertible loan stock	217,890	322,354
Weighted average number of ordinary shares for the purposes of diluted earnings per share	584,720	584,720



For the year ended 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000		Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1st January, 2003	70,454	7,392	4,935	46,434	1,055	423	130,693
Exchange adjustments	(191)	(111)	-	(369)	(1)	-	(672)
Additions	4,553	-	751	22,411	2,849	-	30,564
Transfer	7,281	(7,281)	_	_	- ,	_	_
Disposals	<u>/-</u> -	_	-	(896)	(10)	-	(906)
At 31st December, 2003	82,097	-	5,686	67,580	3,893	423	159,679
Comprising							
At cost	24,897	-	5,686	60,717	3,893	423	95,616
At valuation							
31st December, 2001	57,200	-	-	6,863	-	-	64,063
	82,097	<u> </u>	5,686	67,580	3,893	423	159,679
DEPRECIATION AND IMPAIRMENT LOSSES							
At 1st January, 2003	2,800	-	277	11,448	447	127	15,099
Exchange adjustments	(14)	<u> </u>	-	(99)	(1)	-	(114)
Provided for the year	2,678	_	195	13,905	753	127	17,658
Eliminated on disposals		-	-	(264)	(4)	-	(268)
At 31st December, 2003	5,464	-	472	24,990	1,195	254	32,375
NET BOOK VALUES							
At 31st December, 2003	76,633	-	5,214	42,590	2,698	169	127,304
At 31st December, 2002	67,654	7,392	4,658	34,986	608	296	115,594



For the year ended 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Other than the plant and machinery acquired and disposed of during the year, the Group's leasehold land and buildings in the PRC and the plant and machinery were revalued at 31st December, 2001 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, 2003 was not significantly different from their carrying values.

At 31st December, 2003, 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 HK\$125,424,000 (2002: HK\$117,656,000) and HK\$40,382,000 (2002: HK\$30,771,000) 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\$54,352,000 (2002: HK\$ 55,776,000) to secure its banking facilities.

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	88,090	88,090
Less: Impairment losses recognised	(88,089)	(88,089)
	I	1
Amounts due from subsidiaries	153,878	152,898
Less: allowance	(43,901)	(43,901)
/		
	109,977	108,997
	109,978	108,998

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.



For the year ended 31st December, 2003

15. INTERESTS IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31st December, 2003 are as follows:

		Issued and		Duan sutian of	
	Place/country of incorporation	fully paid share capital/ registered capital/		Proportion of nominal value of issued capital/ registered capital/ contributed legal	
Name of subsidiary	or registration/ operation	contributed legal capital	Class of share held	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
Keyhinge Holdings Limited	Hong Kong	HK\$10,000	Ordinary	100%	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
Keyhinge Toys Vietnam Company Limited	Vietnam	US\$5,085,864	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



For the year ended 31st December, 2003

15. 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
Matrix Manufacturing Vietnam Company Limited	Vietnam	US\$2,635,864	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
Toytrix Company Limited	Hong Kong	HK\$2	Ordinary	100%	Manufacture of printing materials

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 and Matrix Investments Group Limited which are owned directly.

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



For the year ended 31st December, 2003

16. INVENTORIES

	THE GROUP		
	2003 HK\$'000	2002 HK\$'000	
Raw materials Work in progress	21,012 22,631	15,880	
Finished goods	110,857	30,612 57,874	

All of the inventories above are carried at cost.

17. TRADE AND OTHER RECEIVABLES

The trade and other receivables include trade receivables of HK\$34,917,000 (2002: HK\$39,122,000). 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		
	2003	2002	
	HK\$'000	HK\$'000	
0 – 60 days	34,871	38,794	
61 – 90 days	_	56	
> 90 days	46	272	
	34,917	39,122	

18. PLEDGED BANK DEPOSIT

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



For the year ended 31st December, 2003

19. TRADE AND OTHER PAYABLES

The trade and other payables include trade payables of HK\$40,924,000 (2002: HK\$29,683,000).

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

	THE GROUP		
	2003	2002	
	HK\$'000	HK\$'000	
0 – 60 days	40,213	28,686	
61 – 90 days	174	488	
> 90 days	537	509	
	40,924	29,683	

20. AMOUNT DUE TO A DIRECTOR

THE GROUP

The amount due to Mr. Cheng Yung Pun ("Mr. Cheng"), a director of the Company, was unsecured, interest free and was fully repaid during the year.

21. SHARE CAPITAL

	Number of shares			
	2003	2002	2003	2002
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$ 0.1 each				
Authorised	700,000	700,000	70,000	70,000
Issued and fully paid				
At the beginning of the year	322,720	144,720	32,272	14,472
Conversion of convertible				
loan stock	140,000	178,000	14,000	17,800
				1.77
At the end of the year	462,720	322,720	46,272	32,272

During the year, the Company issued 140,000,000 (2002: 178,000,000) new shares to Suncorp as mentioned in note 23 below.



For the year ended 31st December, 2003

22. RESERVES

	Accumulated			
	Share	Contributed	(losses)	
	premium	surplus	profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY				
At 1st January, 2002	55,708	56,202	(52,541)	59,369
Net profit for the year	_	_	65,088	65,088
Transfer	-	(52,541)	52,541	_
Dividends paid		-	(25,818)	(25,818)
At 31st December, 2002	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

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.



For the year ended 31st December, 2003

22. RESERVES (Continued)

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

	2003 HK\$'000	2002 HK\$'000
Contributed surplus Accumulated profits	3,661 78,207	3,661 39,270
	81,868	42,931

23. CONVERTIBLE LOAN STOCK

THE GROUP AND THE COMPANY

The convertible loan stock issued on 30th April, 2000 carries an interest at 5% per annum on the principal amount from time to time and shall be payable annually in arrears. The convertible loan stock is unsecured and can 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\$14,000,000 (2002: HK\$17,800,000) convertible loan stock into 140,000,000 (2002: 178,000,000) shares of HK\$0.10 each in the Company.



For the year ended 31st December, 2003

24. OBLIGATIONS UNDER A FINANCE LEASE

TI			

	Minimum lease payments		Present v of minin lease pays	num
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year In the first to second year inclusive	121 182	121 243	106 173	98 219
In the third to fifth year inclusive	_	61	-	60
Less: Future finance charges	303 (24)	425 (48)	279 -	377
Present value of lease obligations	279	377	279	377
Less: Amount due for settlement within 12 months shown				
under current liabilities			(106)	(98)
Amount due for settlement after 12 months			173	279

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, 2003, 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.



For the year ended 31st December, 2003

25. 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

			Revaluation			
	Accelerated	Accelerated	of property,	Retirement		
	tax	accounting	plant and	benefit		
	depreciation	depreciation	equipment	obligation	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002						
- as previously reported	- //	-	_	-	-	-
- adjustment on adoption o	f					
SSAP 12 (Revised)	-		2,285	-	-	2,285
– as restated	_	_	2,285		_	2,285
Credit to equity for the year	<u> </u>	_	(330)	_	-	(330)
At 31st December, 2002		_	1,955	_	_	1,955
Charge (credit) to income			1,700			1,755
for the year	2,035	(103)	_	(43)	13	1,902
Credit to equity for the year	_	_	(163)		_	(163)
Eliminated on disposals	-	4	_	-	(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



For the year ended 31st December, 2003

25. **DEFERRED TAXATION** (Continued)

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	2003 HK\$'000	2002 HK\$'000
Deferred tax liabilities Deferred tax assets	4,010 (146)	1,955 –
A I I I I I I I I I I I I I I I I I I I	3,864	1,955

At the balance sheet date, the Group has unused estimated tax losses of HK\$44,990,000 (2002: HK\$43,050,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$25,409,000 (2002: 34,817,000) that will expired in 2005. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$159,841,000 (2002: HK\$137,931,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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



For the year ended 31st December, 2003

26. ACQUISITION OF SUBSIDIARIES

During the year ended 31st December, 2002, the Group acquired 100% interest in Keyhinge Holdings Limited and its subsidiary ("Keyhinge Group"). The acquisition has been accounted for by the acquisition method of accounting.

	2002
	HK\$'000
Net assets acquired	
Property, plant and equipment	31,517
Inventories	16,896
Trade and other receivables	572
Amount due from a related company	769
Bank balances and cash	647
Trade and other payables	(3,287)
Amount due to a director	(11,424)
Tax payable	(1,152)
	34,538
Shareholder's contribution	(6,901)
Total consideration	27,637
Satisfied by:	
Cash	27,637
Net cash outflow arising on acquisition:	
Cash consideration	(27,637)
Bank balances and cash acquired	647
Dank Dataness and Cash acquired	317
	(26,990)

The Keyhinge Group was acquired from Mr. Cheng, a substantial shareholder of the Company. The excess of the fair value of the assets acquired over the consideration paid has been treated as an equity contribution from Mr. Cheng and credited to equity.

The subsidiary acquired during the year ended 31st December, 2002 contributed insignificantly to the Group's cash flows, turnover and profit from operations.



For the year ended 31st December, 2003

27. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2002, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the finance lease of HK\$423,000.

During the year ended 31st December, 2003, convertible loan stock of HK\$14,000,000 (2002: HK\$17,800,000) was converted into 140,000,000 (2002: 178,000,000) shares of HK\$0.10 each in the Company.

28. CONTINGENT LIABILITIES

THE COMPANY

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

29. OPERATING LEASE COMMITMENTS

	THE GROUP		
	2003	2002	
	HK\$'000	HK\$'000	
Minimum lease payments in respect of land and buildings			
under operating leases recognised in the			
income statement for the year	3,645	4,545	

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		
	2003 2002		
	HK\$'000	HK\$'000	
Within one year	955	2,370	
In the second to fifth year inclusive	720	1,470	
After five years	4,636	2,183	
	6,311	6,023	

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 2 years for office properties. The rentals are fixed throughout the lease period.



For the year ended 31st December, 2003

30. CAPITAL COMMITMENT

THE GROUP

As at 31st December, 2003, the Group had capital expenditure amounting to HK\$68,000 (2002: HK\$1,990,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

31. RELATED PARTY TRANSACTIONS

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

	2003 HK\$'000	2002 HK\$'000
Interest paid or payable on convertible loan stock to ultimate holding company (Note a)	1,091	1,612
Rental paid or payable to a related company (Note b)	160	192

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.

On 18th January, 2002, the acquisition of Keyhinge Group, which constituted a major and connected transaction of the Company, was approved by the independent shareholders. Details of the acquisition of Keyhinge Group are set out in note 26.

Mr. Cheng, a director of the Company, has beneficial interest in Suncorp and the related company and was the beneficial shareholder of Keyhinge Holdings Limited before the acquisition by the Group.

32. SHARE OPTION SCHEME

On 17th December, 2002, the shareholders of the Company passed an ordinary resolution regarding the termination of the Old Scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentives to directors and eligible employees. Under the New 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 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 closing prices 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.



For the year ended 31st December, 2003

32. SHARE OPTION SCHEME (Continued)

The total number of shares in respect of which options may be granted under the New 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 and 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\$I 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 New Scheme.

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

33. 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\$1,862,000 (2002: HK\$791,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the various schemes.

34. POST BALANCE SHEET EVENT

In February 2004, Suncorp has converted the remaining HK\$12,200,000 convertible loan stock into 122,000,000 shares of HK\$0.10 each in the Company.