MATRIX HOLDINGS LIMITED

美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2006 INTERIM RESULTS ANNOUNCEMENT

RESULT HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	For the six months ended 30th June		
	2006	**2005**	**Changes**
	HK$	*HK$*	*%*
Turnover	**345,205,000**	447,074,000	-22.8
Profit attributable to equity holders of the Company	**40,013,000**	61,122,000	-34.5
Basic earnings per share	**0.07**	0.10	-30.0
Interim dividend, proposed	**0.08**	0.08	—
Gross profit margin ratio (%)	**33.44%**	27.08%	

In the first half of 2006, the unaudited consolidated turnover of Matrix Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") amounted to HK$345,205,000 (2005: HK$447,074,000) and the profit attributable to equity holders of the Company was HK$40,013,000 (2005: HK$61,122,000), which resulted in a basic earnings per share of HK$0.07 (2005: HK$0.10). Having been adversely affected by conservative ordering practices of certain customers, delayed purchase orders were received from the customers that causing some of the Group's sale orders and delivery date being deferred to the second half year of 2006. In addition, the seasonal nature of the customers' orders for Shelcore products also brought another adverse effect on the results of the Group due to its seasonal low sales turnover in the first half year.

Nevertheless, through the implementation of a series of cost control, inventory management measures, effective management of integration and productivity enhancement, the adverse impact of the above events to the Group's result was moderated. For instance, the Company has passed on the additional costs to the customers so as to reduce cost pressure and has effectively utilised its resources by disposing of its vacant office. Although the relatively low seasonal sales have weighted down on the Group's overall performance during these past six months, it is expected that this would not be prolonged as seasonal sales of retail toy products are expected to boost the Group's turnover towards the second half of the year.

For the six months ended 30th June, 2006, the United States continued to be the largest customer market of the Group, accounting for approximately 86.5% of the Group's total turnover (2005: 90.0%). The other significant customer markets for the Group included Europe, Canada and Hong Kong, which accounted for approximately 4.0% (2005: 3.9%), 2.0% (2005: 2.8%) and 4.8% (2005: 1.1%) respectively.

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of the Company announces the unaudited consolidated interim results of the Group for the six months ended 30th June, 2006, together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

		For the six months ended	
		30th June, 2006	30th June, 2005
		(Unaudited)	*(Unaudited)*
	NOTES	***HK$'000***	*HK$'000*
Turnover	3	**345,205**	447,074
Cost of sales		**(229,769)**	(326,014)
Gross profit		**115,436**	121,060
Other income		**4,880**	3,228
Distribution and selling costs		**(37,138)**	(30,787)
Administrative expenses		**(41,565)**	(37,205)
Finance costs		**(373)**	(24)
Discount on acquisition of subsidiaries		**—**	3,390
Profit before taxation	4	**41,240**	59,662
Income tax (charge) credit	5	**(1,227)**	1,378
Profit for the period		**40,013**	61,040
Attributable to:			
Equity holders of the Company		**40,013**	61,122
Minority interest		**—**	(82)
		40,013	61,040
Dividend	6	**45,984**	46,778
Earnings per share — Basic	7	**HK$0.07**	HK$0.10

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2006

	NOTES	30th June, 2006 (Unaudited) HK$'000	31st December, 2005 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**201,775**	207,947
Prepaid lease payments		**1,127**	1,143
Deferred tax assets		**379**	380
		203,281	209,470
Current assets			
Inventories		**167,133**	149,295
Trade and other receivables	9	**90,312**	58,704
Prepaid lease payments		**32**	32
Held for trading investments		**672**	942
Pledged bank deposit		**5,196**	51,990
Bank balances and cash		**28,262**	42,258
		291,607	303,221
Current liabilities			
Trade and other payables	10	**115,486**	100,445
Dividend payable		**—**	17,542
Tax payable		**57,773**	56,432
Bank overdrafts		**14,978**	—
		188,237	174,419
Net current assets		**103,370**	128,802
Total assets less current liabilities		**306,651**	338,272
Capital and reserves			
Share capital		**57,480**	58,472
Reserves		**244,358**	274,985
Equity attributable to equity holders of the Company		**301,838**	333,457
Non-current liabilities			
Deferred tax liabilities		**4,813**	4,815
		306,651	338,272

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs"), issued by the HKICPA that are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs did not have any material impact on how the financial statements of the Group are prepared and presented for the current or prior accounting period.

Potential Impact of New Standards Not Yet Effective

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]

[1]*Effective for annual periods beginning on or after 1st January, 2007.*
[2]*Effective for annual periods beginning on or after 1st March, 2006.*
[3]*Effective for annual periods beginning on or after 1st May, 2006.*
[4]*Effective for annual periods beginning on or after 1st June, 2006.*

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is geographical segments.

	For the six months ended 30th June			
	Turnover		Results	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States	**298,728**	402,255	**81,746**	99,431
Europe	**13,721**	17,316	**5,810**	7,834
Canada	**6,786**	12,576	**1,986**	3,517
Hong Kong	**16,699**	5,052	**3,306**	1,290
Others	**9,271**	9,875	**3,463**	4,475
	345,205	447,074	**96,311**	116,547
Unallocated income and expenses			**(55,071)**	(56,885)
Profit before taxation			**41,240**	59,662
Income tax (charge) credit			**(1,227)**	1,378
Profit for the period			**40,013**	61,040

4. PROFIT BEFORE TAXATION

	For the six months ended	
	30th June, 2006	30th June, 2005
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment		
— owned assets	**16,808**	16,360
— assets held under a finance lease	**—**	42
Gain on disposal of subsidiaries	**(715)**	—
Net (gain) loss on disposal of property, plant and equipment	**(724)**	32
Unrealised loss (gain) on held for trading investments	**270**	(110)

5. INCOME TAX (CHARGE) CREDIT

	For the six months ended	
	30th June, 2006	30th June, 2005
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**(980)**	(3,848)
Other jurisdictions	**(250)**	(662)
	(1,230)	(4,510)
Overprovision in prior years:		
Hong Kong	**3**	5,888
	(1,227)	1,378

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months period ended 30th June, 2006.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDEND

The Directors had resolved to declare an interim dividend of HK$0.08 per share to be payable in cash with a scrip dividend alternative (2005: HK$0.08 per share payable in cash) to the shareholders whose names appear on the Register of Members of the Company on 5th September, 2006.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th June, 2006 is based on the profit for the period attributable to equity holders of the Company of approximately HK$40,013,000 (2005: HK$61,122,000) and weighted average number of 575,742,000 shares (2005: 584,720,000 shares) in issue during the period.

No diluted earnings per share for the six months ended 30th June, 2006 was presented because the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the six months ended 30th June, 2006.

No diluted earnings per share for the six months ended 30th June, 2005 was presented because there was no potential ordinary shares outstanding during the period.

8. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of its certain subsidiaries. The net liabilities of the subsidiaries at the date of disposal, 29th June, 2006 were as follows:

	29th June, 2006 *(Unaudited)* *HK$'000*
Net liabilities disposed of	
Property, plant and equipment	**218**
Trade and other receivables	**451**
Bank balances and cash	**125**
Trade and other payables	**(1,509)**
	(715)
Gain on disposal of subsidiaries	**715**
Cash consideration	**—**
Satisfied by	
Cash	**—**
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	**(125)**

The subsidiaries disposed of during the period did not have any significant impact to the cash flows, turnover and profit of the Group for the period.

9. TRADE AND OTHER RECEIVABLES

The trade and other receivables include trade receivables of HK$74,517,000 (2005: HK$46,021,000). The Group allows a credit period of 14 days to 90 days to its trade customers.

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

	30th June, 2006	31st December, 2005
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
0 – 60 days	**72,864**	40,734
61 – 90 days	**327**	1,443
> 90 days	**1,326**	3,844
	74,517	46,021

10. TRADE AND OTHER PAYABLES

The trade and other payables include trade payables of HK$79,875,000 (2005: HK$57,434,000).

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

	30th June, 2006	31st December, 2005
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
0 – 60 days	**56,183**	53,944
61 – 90 days	**8,921**	2,723
> 90 days	**14,771**	767
	79,875	57,434

11. COMMITMENTS

The Group was committed to capital expenditure in respect of the acquisition of property, plant and equipment as follows:

	30th June, 2006	31st December, 2005
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Contracted for but not provided in the financial statements	**638**	6,688
Authorised but not contracted for	**1,254**	1,114

INTERIM DIVIDEND

The Directors had resolved to declare an interim dividend of HK$0.08 per share for the six months ended 30th June, 2006 to be payable in cash with a scrip dividend alternative (2005: HK$0.08 payable in cash) to those shareholders whose names appear on the Register of Members of the Company on 5th September, 2006. The scrip dividend alternative offers the right to eligible shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. The scrip dividend alternative is conditional upon (a) the issue price of a new share to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto. A circular containing details of the scrip dividend alternative and the form of election will be mailed to the shareholders of the Company in due course.

Definitive share certificates in respect of the scrip dividend and cheques (for those shareholders who do not elect for scrip dividend) are expected to despatch to shareholders on or about 16th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 1st September, 2006 to 5th September, 2006, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 31st August, 2006.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

2006 was a challenging year for the toy industry and the Group also. In common with many toy manufacturers, a tough retail environment caused a sustained pricing pressure and customers' conservative ordering practices caused a decline in sales turnover to the Group for the first half year. Apart from these, the Group's overall profitability had been continuously affected by unfavourable factors including the exorbitant oil prices, the shortage and unstable supply of public facilities in the People's Republic of China ("PRC") and the appreciation of Renminbi that led the increase of operation cost and Renminbi denominated expenses also. In addition, further cost incurred by the Group to invest in its expansion of existing product range, advertising and brand promotion for the Group's own branded and licensed products.

During the period under review, the Group focused on reducing production costs by minimising outsourcing and integrating production operation to maximise manufacturing profits. With its dedicated and relentless efforts on continuously adoption of cost stringent policy, the adverse effect of those factors to the Group's result was minimised.

Review of Operation

Toys Manufacturing Operation

In order to augment production capacity subsequent to the amalgamation of the Original Design Manufacturing ("ODM") operation to the Group, the Company has undergone processes of renovation and relocation of production facilities in the plant at the first half year of 2006. An additional factory space in the Zhongshan was constructed for enhancing product productivity of ODM products during the period under review. With continuous enhancing cost-effectiveness of production, the Group has established its own production line for producing electronic components. The production efficiency from this backward integration in overall production was materialised. This newly developed arm has accomplished the Group's aim at providing 'one-stop-shop' production line and vertical integration functionally.

The renovation of the first plant in the Vietnam has proceeded steadily as planned. Upon completion of all renovation works, significant benefit in terms of enhanced production efficiency is expected as the improved factory floor outlay contributed to the smooth physical production flow.

With such a giant manufacturing momentum of the Group, those cost-effective production plants contributed to the higher gross profit margin and tapered off the adverse impact of the above events.

However, toy retail market that was continuously characterised by intensified retail prices competition and slower sales growth against the Group's existing customers. Despite that, the Group has extended its distribution network to other international markets and gained exposure to its newly developed markets in particular, Latin America, Australia, Spain, Middle East and the PRC. The Group continued to maximise the full potential of the distribution channels spanning over those newly developed markets by implementing a pricing strategy and effective advertising and promotion campaigns so as to strength its brand awareness during the period under review. Apart from it, the Group has opened up a controlling office in Europe to organise the marketing activities in European markets, and employed experienced marketing staff and executives for expansion of the range of product sales in the European markets. With positive response from retail businesses in the PRC, the Company would consider to develop more points of sale in the PRC.

Based on the Group's strong manufacturing expertise and its expansion of a team of well-trained and highly skilled engineers to handle the development and improvement of its innovative products, the product mix was enlarged to enhance the satisfaction and appeal to its customers.

The Group's licensed character trademarks such as 'Nascar' have enriched the styles of its own branded products. Sales of licensed character products for the period were gradually increased by the purchase of additional licences in year 2006. Newly licensed character products accounted for an increasing percentage of the total sales reflecting the growth of the development of licensed products. The Group would continue to identify potential licences for additional trademarks to offer a broader choice of licensed character products for customers.

Printing Operation

With installation of the additional printing machines, the Group had expanded its production capacity of printing and which has brought in a stable source of revenue to the Group. During the period under review, the vertically integrated printing arm of the Group continued to expand its customer base beyond internal consumption.

Marketing and Promotional Operation

During the period under review, owing to marketing and promotional operation did not achieve the expected market shares in the promotional industry in the PRC, the Group had disposed of its marketing and promotional operation on 29th June, 2006.

Production Code of Conduct

The Group is extremely conscious of adhering to its strict production code of conduct and put its great effort on providing comfortable working conditions and leisure centre in its plants to the staff together with providing safety standards, staff employment terms and environment conditions, meet international standards to the employees for ensuring that they are well taken care of. Regular trainings and numerous social functions and activities have also been provided to all levels of staff, so as to boost the staff's motivation by increasing their skill set and knowledge, as well as to increase the staff's productivity and contribution to the Group.

Future Prospects

Numerous challenges in the coming years would be expected to encounter on both plastic and plush toy businesses and the infant and pre-school children toy market. Increasing expenses, in particular, the increase in the rental expenses as operation costs, increase in labour costs and other expenses due to the appreciation in Renminbi and the surge in crude oil, would be projected. To face up to this challenge and intensified toy markets competition, the Group would dedicate its utmost efforts to broaden its worldwide and local distribution and network, to secure its niche in the premium toy market, to enrich its product mix and to adopt further cost-saving measures. In addition, the seasonal sales of retail toy products towards the second half of the year is expected to boost the Group's turnover. The Group showed great resilience amid the adverse global toy markets conditions.

The Group continues the development and diversification of new products. Apart from its Original Equipment Manufacturing products, the Group is now actively developing its own branded name and licensed products in the international markets, targeting mainly the potential customers in Latin American, Australian, Spain, Middle East and European markets and developing more points of sale in the PRC. Product diversification would facilitate business expansion and reduce the Group's dependence on limit branded product mix, providing greater flexibility and increased operating profit. After years of strive, sales of own branded products accounts for an increasing percentages of total sales. These positive results have justified the Group's decision to diversify strategically.

The Group would continue to implement its strategic plan on conducting effective market studies and product research and development so as to expand the mass merchandise markets. With the reinforcement of the product development team in a cost effective location, the Group is enable to launch a diversified toy products to meet the customers' appeal and revitalise the Shelcore's brand worldwide with extended distribution network to Latin America and other international markets at second half of year. With all the above in place, including a steady foothold in the retail toy market, the Group is poised to obtain recognition in the international toy market and phases of metamorphosis in terms of production and marketing has been undergone.

Notwithstanding, product research and development and marketing activities are largely invested. Though, the benefit from this long-term investment has not yet fully reflected in the Group's results during the period under review, the benefit is expected to materialise in future.

The Group would continue to review business and enterprise with its expansion plans with a view to achieving rational growth in scale, structure and profitability. In the coming years, one of the Group's strategies is to strength the core toys manufacturing operation through acquisitions for accelerating business growth.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2006, the Group had bank balances and cash of HK$28,262,000 (31st December, 2005: HK$42,258,000) and pledged bank deposit of HK$5,196,000 (31st December, 2005: HK$51,990,000) secured for banking facilities granted. As at 30th June, 2006, the Group obtained banking facilities in a total of HK$40,000,000 (31st December, 2005: HK$81,000,000) secured by fixed deposits and corporate guarantee given by the Company.

As at 30th June, 2006, the Group had bank overdrafts of HK$14,978,000 (31st December, 2005: Nil). The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company was 5.0% (31st December, 2005: Nil).

During the period, net cash generated from operating activities amounted to approximately HK$24,162,000 (30th June, 2005: HK$100,284,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

Capital Expenditure

During the period, the Group acquired property, plant and equipment at a cost of HK$20,378,000 to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

Assets and Liabilities

At 30th June, 2006, the Group had total assets of HK$494,888,000 (31st December, 2005: HK$512,691,000), total liabilities of HK$193,050,000 (31st December, 2005: HK$179,234,000) and equity attributable to equity holders of the Company of HK$301,838,000 (31st December, 2005: HK$333,457,000). The net assets of the Group decreased 9.5% to HK$301,838,000 as at 30th June, 2006 (31st December, 2005: HK$333,457,000).

Sales of Properties

In the current period, the Group disposed of certain of its vacant properties at a sales proceeds of HK$10,000,000 with a gain amounting to approximately HK$1,344,000, which has been recognised directly in the income statement during the period. The revaluation surplus of the disposed properties amounted to approximately HK$2,612,000 was released and transferred from other asset revaluation reserve to retained profits directly upon the disposal.

Repurchase of Shares

During the six months ended 30th June, 2006, the Company repurchased a total of 9,924,000 ordinary shares of the Company of HK$0.10 each through the Stock Exchange at an aggregate consideration of HK$20,369,910 before expenses. The repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by the par value thereof.

Exchange Rate Risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Certain bank balances, trade receivables and trade payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Number of Employees and Remuneration Policies

As at 30th June, 2006, the Group had a total of approximately 17,000 (31st December, 2005: 17,000) employees in Hong Kong, Macau, PRC, Vietnam, U.S.A., Canada and Europe. The Group provides its employees with competitive remuneration packages commensurate to the level of pay established by the market trend in comparable businesses. A share option scheme was adopted for selected participants (including full-time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2006, the Company repurchased a total of 9,924,000 ordinary shares of the Company of HK$0.10 each through the Stock Exchange at an aggregate consideration of HK$20,369,910 before expenses. The repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by the par value thereof. Details of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration (before expenses) paid
		HK$	*HK$*	*HK$*
January 2006	9,924,000	2.15	1.98	20,369,910

Save as mentioned above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the period under review, in compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules and its own code except for the deviations from the code provision A.4.1 of the Code that none of the existing non-executive (including independent non-executive) Directors of the Company is appointed for a specific term. However, all the Directors of the Company (executive and independent non-executive) are subject to the retirement provisions under the Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors 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.

BOARD COMMITTEE

Audit Committee

The Audit Committee, comprising three independent non-executive directors ("INEDs") namely Dr. Loke Yu alias Loke Hoi Lam (Chairman), Mr. Mak Shiu Chung, Godfrey and Mr. Wan Hing Pui, appointed by the Board who have extensive experience in financial matters and meets at least two times a year. Two Audit Committee members are qualified accountants and none of the Audit Committee members are members of the former or existing auditors of the Company. The Committee had adopted terms of reference (containing the minimum prescribed duties) that are in line with the Code and the Company's own code on corporate governance practices. These specific terms of reference are available on request or on the website: www.matrix.hk.com.

Remuneration Committee

The Remuneration Committee comprising three INEDs, namely Dr. Loke Yu alias Loke Hoi Lam (Chairman), Mr. Mak Shiu Chung, Godfrey and Mr. Wan Hing Pui, appointed by the Board and meets at least once a year. The Committee had adopted terms of reference (containing the minimum prescribed duties) that are in line with the Code and the Company's own code on corporate governance practices. These specific terms of reference are available on request or on the website: www.matrix.hk.com.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June, 2006 have been reviewed by the Audit Committee, who is of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM REPORT

The 2006 Interim Report of the Company will be despatched to the shareholders of the Company as well as published on the website of the Stock Exchange in due course.

BOARD COMPOSITION

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Yu Sui Chuen and Ms. Cheng Wing See, Nathalie as executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey and Mr. Wan Hing Pui as independent non-executive Directors.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 15th August, 2006

* *For identification purpose only*