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# MATRIX

## MATRIX HOLDINGS LIMITED

美力時集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1005)

### MAJOR TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE FUNRISE GROUP;

PLACING OF EXISTING SHARES AND  
SUBSCRIPTION OF NEW SHARES;

AND

RESUMPTION OF TRADING

Financial adviser to Matrix Holdings Limited



**Quam Capital Limited**

#### THE ACQUISITION

On 25 April 2007, Maxibase, an indirectly wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement with the Vendors, Funrise LLC, Funrise Inc. and Code 3 LLC pursuant to which Maxibase agreed to acquire and the Vendors agreed to sell all of the equity interests of each of Funrise LLC, Funrise Inc. and Code 3 LLC. The total consideration for the Acquisition payable in aggregate by Maxibase is, subject to adjustments, US\$23 million (equivalent to approximately HK\$179.4 million). The Directors intend to finance the Acquisition by the proceeds from the Subscription, a Shareholder's loan to be granted by Suncorp and the Company's internal resources.

The Funrise Group is principally engaged in the design, sales and distribution of quality, innovative toys under proprietary and licensed brands. The Funrise Group sources substantially all of its products from various original equipment manufacturers in Asia.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is conditional on approval by the Shareholders. In so far as the Company is aware, no Shareholder has any material interest in the Acquisition and will be required to abstain from voting from the resolution to approve the Acquisition. Suncorp, holder of 409,918,800 Shares (representing approximately 71.02% of the entire issued share capital of the Company) as at the date of this announcement, and its ultimate beneficial owner do not have any material interest in the Acquisition and their interests in the Acquisition are no different from the other Shareholders. As such, pursuant to Rule 14.44 of the Listing Rules, the written approval provided by Suncorp approving the Acquisition constitutes a valid approval and the Company will not be required to convene a physical general meeting to approve the Acquisition. Further, based on the due diligence performed by the Company, the Directors do not expect the audited accounts of the Funrise Group for the three years ended 31 December 2006 will be qualified. In the event the audited accounts of the Funrise Group for three years ended 31 December 2006 are in fact qualified by the Company's auditor, a physical meeting will be held accordingly.

A circular containing, among others, further details of the Acquisition will be despatched to the Shareholders as soon as possible.

## **PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES**

On 24 April 2007, Suncorp, the controlling Shareholder, entered into a placing agreement with Quam Securities. Pursuant to the Placing Agreement, Suncorp agreed to place 108,000,000 Shares through Quam Securities, on a best effort basis, at a placing price of HK\$1.81 per Share.

On 24 April 2007, Suncorp also entered into a subscription agreement with the Company. Pursuant to the Subscription Agreement, Suncorp agreed to subscribe up to 55,000,000 Shares at a subscription price of HK\$1.81 per Share. A further announcement will be made by the Company in the event that the number of Shares subscribed is less than 55,000,000 Shares.

The Placing Price and the Subscription Price represent (i) a discount of around 9.5% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on 23 April 2007, being the last trading date prior to suspension of trading of the Shares pending release of this announcement; and (ii) a discount of around 10.66% to the average closing price of HK\$2.026 per Share for the last 5 trading days up to and including 23 April 2007.

The Placing Shares represent around 18.71% of the Company's existing issued share capital and around 17.08% of the issued share capital as enlarged by the issue of the Subscription Shares.

The Subscription Shares represent around 9.53% of the Company's existing issued share capital and around 8.70% of the issued share capital as enlarged by the issue of the Subscription Shares. The Company will issue the Subscription Shares under the general mandate granted by the Shareholders on 25 April 2006.

## **REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

Assuming that 108,000,000 Placing Shares are placed by Quam Securities, the gross proceeds of the Placing will be about HK\$195.48 million. Suncorp intends to apply about HK\$99.55 million out of such gross proceeds for subscription of the Subscription Shares under the Subscription Agreement. The remaining balance of the gross proceeds, after deducting the costs and expenses from the Placing, will be advanced by Suncorp on an interest-free basis to the Company. Suncorp has confirmed such Shareholder's loan shall be unsecured, non-interest bearing and with no fixed repayment terms.

The net proceeds of the Subscription and the Shareholder's loan to be advanced by Suncorp will be used to fund the Acquisition.

The Directors also consider the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **APPLICATION TO THE STOCK EXCHANGE**

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

## **SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES**

Trading in the Shares was suspended at the request of the Company with effect from 9:32 a.m. on 24 April 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 30 April 2007.

On 25 April 2007, Maxibase, an indirect wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement with the Vendors, Funrise LLC, Funrise Inc. and Code 3 LLC pursuant to which Maxibase agreed to acquire and the Vendors agreed to sell all of the equity interests of Funrise LLC, Funrise Inc. and Code 3 LLC.

## **THE SHARE ACQUISITION AGREEMENT**

### **Date**

25 April 2007

### **Parties**

- (a) Maxibase as the purchaser; and
- (b) The Vendors as the vendors.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

## **Assets to be acquired**

All of the equity interests of each of Funrise LLC and Code 3 LLC and all of the shares of Funrise Inc.

## **Consideration**

The aggregate consideration for the Acquisition payable by Maxibase is, subject to adjustments, US\$23 million (equivalent to approximately HK\$179.4 million) (the “Consideration”). The Consideration has been determined based on arm’s length negotiations amongst the Directors and the Vendors with reference to the sales levels, the distribution network of the Funrise Group in the United States and the portfolio of licenses owned by the Funrise Group. The Acquisition will provide the Company distribution network in the United States. It will also provide the Company with a portfolio of proprietary and licensed brands which the Company considers it important for its future competitiveness, whilst the historical profitability and net book value of the Funrise Group were also considered in determining the consideration level, the strategic factors outlined above were other aspects that gave the Directors reason to consider that the Consideration was fair and reasonable. The Directors intend to finance the Acquisition by the proceeds from the Subscription, a Shareholder’s loan to be granted by Suncorp and the Company’s internal resources.

The Consideration is payable by Maxibase in the following manner:

- (1) a deposit of US\$1 million (equivalent to approximately HK\$7.8 million) (the “Deposit”) that concurrently with or before entry into the Share Acquisition Agreement has been paid to the Vendors’ Hong Kong counsel;
- (2) the Deposit and an amount equal to US\$19.7 million (equivalent to approximately HK\$153.66 million) (together with the Deposit, the “Initial Consideration”), as adjusted pursuant to the net book value adjustment mechanism below, shall be paid to the Vendors on the date of the Completion; and
- (3) the remaining balance of US\$2.3 million (equivalent to approximately HK\$17.94 million) (the “Escrow Amount”) shall be paid to JP Morgan Chase Bank, N.A., as escrow agent, on the date of the Completion as retained consideration.

### ***The net book value adjustment mechanism***

The Initial Consideration shall be adjusted downwards, on a dollar for dollar basis, in accordance with the consolidated net book value (the “Closing NBV”) of the Funrise Group on the date of Completion to the extent that the Closing NBV is less than zero. In the event that subsequently the audited consolidated net book value of the Funrise Group as at 31 December 2007 exceeds US\$1.8 million, the amount of such excess shall be paid to the Vendors on a dollar for dollar basis to the extent that any downward adjustment to the Initial Consideration was made as a result of the Closing NBV being less than zero.

For avoidance of doubt, in no event shall the total Initial Consideration (including the Deposit), as adjusted, exceed the amount of US\$20.7 million (equivalent to approximately HK\$161.46 million).

### ***The net sales adjustment mechanism and payment of the Escrow Amount***

Based on the unaudited combined management accounts of the Funrise Group, the unaudited net sales for the year ended 31 December 2005 and 2006 were approximately US\$90.91 million (equivalent to approximately HK\$709.10 million) and US\$63.74 million (equivalent to approximately HK\$497.20 million) respectively.

The Consideration shall be subject to adjustment based on the combined audited net sales of the Funrise Group for the financial year ending 31 December 2007 (the “FY2007 Net Sales”) if:

- (1) the amount of the FY2007 Net Sales shall be less than US\$70 million (equivalent to approximately HK\$546 million), the Consideration shall be reduced by an amount equal to the product obtained by multiplying the amount of such shortfall by 0.33, up to a maximum reduction of US\$6.6 million (equivalent to approximately HK\$51.48 million) (the “Net Sales Shortfall”); and
- (2) the amount of the FY2007 Net Sales shall exceed US\$102 million (equivalent to approximately HK\$795.6 million), the Consideration shall be increased by an amount equal to the product obtained by multiplying the amount of such excess by 0.33, up to a maximum increase of US\$6.6 million (equivalent to approximately HK\$51.48 million) (the “Net Sales Surplus”) In effect, the maximum aggregate amount payable for the Acquisition is US\$29.6 million (equivalent to approximately HK\$230.88 million).

If there is a Net Sales Surplus, then within 10 Business Days of the date on which the amount of the FY2007 Net Sales is determined, (i) JP Morgan Chase Bank, N.A. shall forthwith pay to the Vendors, the entire Escrow Amount, together with all and any interest accrued thereon; and (ii) Maxibase shall pay to the Vendors an amount equal to the excess, if any, of the Net Sales Surplus over the Escrow Amount.

If there is a Net Sales Shortfall, then within 10 Business Days of the date on which the amount of the FY2007 Net Sales is determined, (i) JP Morgan Chase Bank, N.A. shall forthwith pay to Maxibase, from the escrow account, an amount equal to the lesser of the Net Sales Shortfall and the Escrow Amount, together with all and any interest accrued thereon; and (ii) if the Net Sales Shortfall is less than the Escrow Amount, JP Morgan Chase Bank, N.A. shall forthwith pay to the Vendors, the balance, if any, of any amounts held in the escrow account after the payment referred to in (i) above, together with all and any interest accrued thereon; or (iii) if the Net Sales Shortfall is greater than the Escrow Amount, the Vendors shall pay to Maxibase an amount equal to the excess, if any, of the Net Sales Shortfall over the Escrow Amount.

## **Conditions precedent**

- (a) The obligation of Maxibase to consummate the transactions contemplated under the Share Acquisition Agreement is conditional upon the satisfaction, prior to or at Completion, of the following conditions:
  - (i) the warranties of the Vendors set forth in the Share Acquisition Agreement remaining true and accurate and not misleading as if given as of the date of the Share Acquisition Agreement and as of the date of the Completion and as if given at all times between the date of the Share Acquisition Agreement and the date of the Completion;
  - (ii) each of the Vendors having complied fully with the obligations specified in the Share Acquisition Agreement and otherwise having performed all of the covenants and agreements required to be performed by it under the Share Acquisition Agreement on or prior to the date of the Completion;
  - (iii) all necessary notices to or consents, approvals, waivers or authorisations required to be given by third parties to the Vendors for the Acquisition and consummation by the Vendors of the transactions contemplated under the Share Acquisition Agreement and being in full force and effect, and no applicable statute, regulation or decision which would prohibit or restrict the Acquisition, such consummation or the operation of the business of any member of the Funrise Group after Completion having been proposed, enacted or taken by any relevant governmental or official authority;

- (iv) no bona fide investigation, action, suit, injunction, order or proceedings being in effect, pending or genuinely threatened as of the date of Completion before any court of competent jurisdiction or by any relevant governmental body which seeks to restrain, prohibit, impose limitations or conditions or otherwise challenge the transactions contemplated by the Share Acquisition Agreement;
- (v) during the period from the date of the Share Acquisition Agreement to the date of Completion, there not having occurred, and there not being in existence on the date of Completion, any Material Adverse Effect;
- (vi) the transactions contemplated in the Share Acquisition Agreement having been approved by the Shareholders in accordance with the applicable requirements under the Listing Rules; and
- (vii) certain other conditions precedent to the obligation of Maxibase to consummate the transactions contemplated under the Share Acquisition Agreement having been fulfilled or waived in accordance with the terms and conditions thereof.

The above conditions are referred to as the “Purchaser’s Conditions”

- (b) The obligation of the Vendors to consummate the transactions contemplated under the Share Acquisition Agreement are conditional upon the satisfaction, prior to or at Completion, of the following conditions:
  - (i) the warranties of Maxibase remaining true and accurate and not misleading as if given as of the date of the Share Acquisition Agreement and as of the date of Completion and as if given at all times between the date of the Share Acquisition Agreement and the date of Completion;
  - (ii) all necessary consents required to be given by third parties to Maxibase for the consummation by Maxibase of the transactions contemplated under the Share Acquisition Agreement having been granted, and being in full force and effect, for the Acquisition, if applicable, and no applicable statute, regulation or decision which would prohibit, restrict or materially delay the Acquisition or the operation of the business to be carried on by Maxibase after the Completion having been proposed, enacted or taken by any relevant governmental or official authority;
  - (iii) no bona fide investigation, action, suit, injunction, order or proceedings being in effect, pending or genuinely threatened as of the date of the Completion before any court of a competent jurisdiction or by any relevant governmental body which seeks to restrain, prohibit, impose limitations or conditions or otherwise challenge the transactions contemplated by the Share Acquisition Agreement;
  - (iv) the transactions contemplated in the Share Acquisition Agreement having been approved by the Shareholders in accordance with the applicable requirements under the Listing Rules;
  - (v) certain other conditions precedent to the obligation of the Vendors to consummate the transactions contemplated under the Share Acquisition Agreement having been fulfilled or waived in accordance with the terms and conditions thereof.

The above conditions are referred to as the “Vendors’ Conditions”

Maxibase may waive any or all of the Purchaser’s Conditions except the approval by the Shareholders ((a)(vi)) and the Vendors may waive any or all of the Vendors’ Conditions in writing.

## **Completion**

Completion shall take place on the third Business Day immediately following the day on which all of the Purchaser’s Conditions and Vendors’ Conditions are satisfied or waived, but in any event not later than 15 June 2007 or as Maxibase and the Vendors may mutually agree upon in writing.

## INFORMATION ON THE FUNRISE GROUP

The Funrise Group is principally engaged in the design, sales and distribution of quality, innovative toys under proprietary and licensed brands. The Funrise Group sources substantially all of its products from various original equipment manufacturers in Asia, many of which have served the Funrise Group since its founding in 1987. The Funrise Group's core property portfolio includes, Gazillion Bubbles<sup>®</sup>, Nylint<sup>®</sup>, Home Arcade, and Play 'n Pretty<sup>®</sup> as well as international licensed brands such as Disney<sup>®</sup>, Tonka<sup>®</sup> and ZOOOOS<sup>™</sup>, among others. Funrise has offices in Van Nuys, California, Hong Kong, United Kingdom, and France with additional showrooms in New York City, Bentonville, and Nürnberg. The Funrise Group, post Completion, will continue to be led by its founder, Mr. Arnie Rubin, a long-term toy industry veteran who also serves as the chairman of the Toy Industry Foundation (T.I.F.) and was the former chairman of the Toy Industry Association (T.I.A.).

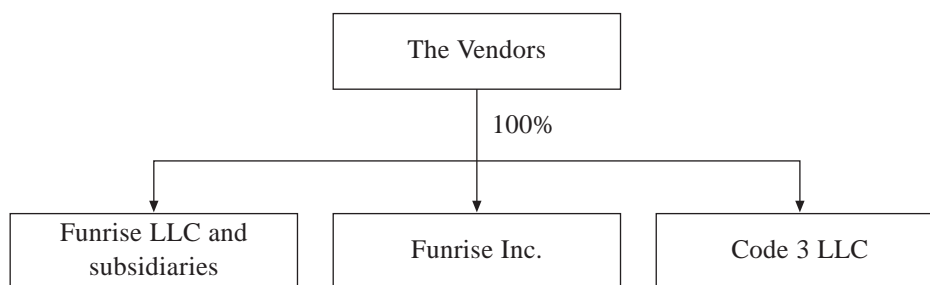
Based on the unaudited combined management accounts of the Funrise Group, the unaudited net book value as at 31 December 2006 was approximately US\$2.26 million (equivalent to approximately HK\$17.63 million).

Based on the unaudited combined management accounts of the Funrise Group, the unaudited net sales for the year ended 31 December 2005 and 2006 were approximately US\$90.91 million (equivalent to approximately HK\$709.10 million) and US\$63.74 million (equivalent to approximately HK\$497.20 million) respectively.

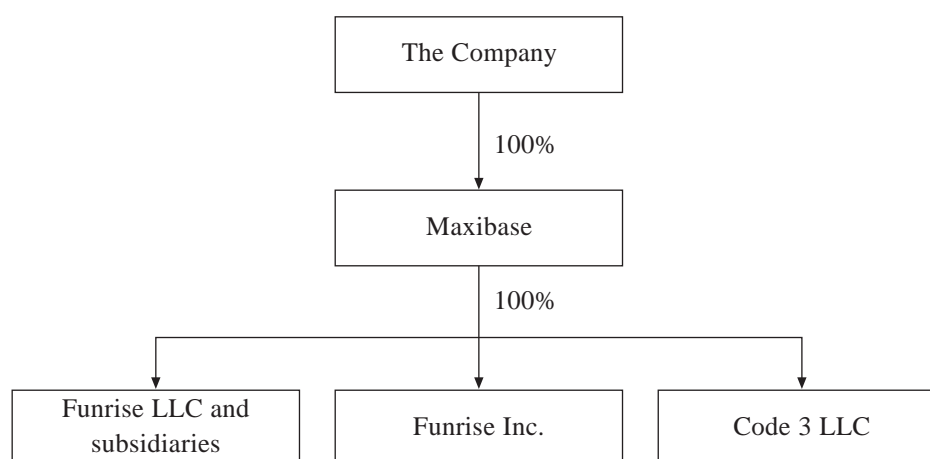
Based on the unaudited combined management accounts of the Funrise Group, the unaudited profit before and after taxation for the year ended 31 December 2005 were approximately US\$2.40 million (equivalent to approximately HK\$18.72 million) and US\$2.36 million (equivalent to approximately HK\$18.41 million) respectively. Similarly, the unaudited loss before and after taxation for the year ended 31 December 2006 were approximately US\$12.18 million (equivalent to approximately HK\$95.00 million) and US\$12.19 million (equivalent to approximately HK\$95.08 million) respectively.

The Company will indirectly hold 100% of the equity of the Funrise Group upon Completion. Set out below are the simplified ownership structures of the Funrise Group prior to and immediately following the Completion:

### Simplified ownership structure immediately prior to the Completion



## **Simplified ownership structure immediately following the Completion**



### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in manufacturing and distribution of gifts, novelties items and infant and pre-school children toys.

The Funrise Group holds various intellectual properties for toys products, including patents and trademarks for proprietary and licensed brands. The Acquisition will therefore expand considerably the product range and design capability of the Group thereby broadening the Group's revenue source and customer base.

Consistent with the Group's stated strategic objective on long-term growth and diversification of the Group's product portfolio, as set out in the 2006 annual report of the Company, the Directors believe that the Group's operations and development will benefit from the Acquisition.

Based on the above, the Directors are of the view that the terms of the Acquisition are fair and reasonable and in the interests of both the Company and the Shareholders.

### **IMPLICATIONS UNDER THE LISTING RULES**

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is conditional on approval by the Shareholders. In so far as the Company is aware, no Shareholder has any material interest in the Acquisition and will be required to abstain from voting from the resolution to approve the Acquisition. Suncorp, holder of 409,918,800 Shares (representing approximately 71.02% of the entire issued share capital of the Company) as at the date of this announcement, and its ultimate beneficial owner are not interested parties in the Acquisition and their interests in the Acquisition are no different from the other Shareholders. As such, pursuant to Rule 14.44 of the Listing Rules, the written approval provided by Suncorp approving the Acquisition constitutes a valid approval and the Company will not be required to convene a physical general meeting to approve the Acquisition. Further, based on the due diligence performed by the Company, the Directors do not expect the audited accounts of the Funrise Group for the three years ended 31 December 2006 will be qualified. In the event the audited accounts of the Funrise Group for three years ended 31 December 2006 are in fact qualified by the Company's auditor, a physical meeting will be held accordingly.

A circular containing, among others, further details of the Acquisition will be despatched to the Shareholders as soon as possible.



## **PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES**

On 24 April 2007, Suncorp, the controlling Shareholder, entered into a placing agreement with Quam Securities. Pursuant to the Placing Agreement, Suncorp agreed to place 108,000,000 Shares through Quam Securities, on a best effort basis, at a placing price of HK\$1.81 per Share.

On 24 April 2007, Suncorp also entered into a subscription agreement with the Company. Pursuant to the Subscription Agreement, Suncorp agreed to subscribe up to 55,000,000 Shares at a subscription price of HK\$1.81 per Share.

The Placing Agreement and the Subscription Agreement are not conditional upon the Share Acquisition Agreement becoming unconditional and vice versa.

## **THE PLACING AGREEMENT**

### **Date**

24 April 2007

### **Parties**

- (a) Suncorp as the vendor; and
- (b) Quam Securities as the placing agent.

### **Placing Agent**

Quam Securities has been appointed as the placing agent for the Placing on a best effort basis. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, Quam Securities and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules) and their respective associates.

Quam Securities will receive a placement commission of 2.5% on the gross proceeds of the Placing, which was arrived at after arm's length negotiations between Suncorp and Quam Securities under normal commercial terms.

### **Number of Placing Shares**

108,000,000 existing Shares representing around 18.71% of the Company's existing issued share capital and around 17.08% of the Company's issued share capital as enlarged by the issue of the Subscription Shares.

### **Placees**

Quam Securities has agreed to use its best endeavours to place the Placing Shares to not less than six Placees who are independent individual, corporate and/ or institution investors, and who and whose ultimate beneficial owner(s) (i) are not connected persons (as defined in the Listing Rules) of the Company; and (ii) are independent of the Company, its connected persons and other Placees. It is expected that no Placee will become a substantial Shareholder as a result of the Placing.

### **Placing Price**

The Placing Price represents (i) a discount of around 9.5% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on 23 April 2007, being the last trading date prior to suspension of trading of the Shares pending release of this announcement; and (ii) a discount of around 10.66% to the average closing price of HK\$2.026 per Share for the last 5 trading days up to and including 23 April 2007.

The Placing Price was determined after arm's length negotiations between Suncorp and Quam Securities. Under the Placing Agreement, Suncorp will bear all the costs and expenses of the Placing to the extent that the Company will reimburse to Suncorp the placing costs and expenses incurred for the placing of up to 55,000,000 Shares (being the number of Subscription Shares).

### **Rights of the Placing Shares**

The Placing Shares will be sold by Suncorp free from all third party rights. Upon completion of the Placing, the Placee(s) will be entitled to all rights attaching to the Placing Shares as at the date of completion of the Placing, including the right to receive all dividends and other distributions which may be declared, made or paid by the Company in respect of the Placing Shares, the record date for which shall fall on or after the date of completion of the Placing.

### **Completion of the Placing**

The Placing is expected to be completed on or before 30 April 2007 or such other date as Suncorp and Quam Securities may agree in writing.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

24 April 2007

### **Parties**

- (a) Suncorp as the subscriber; and
- (b) The Company as the issuer.

### **The Subscription Shares**

Pursuant to the Subscription Agreement, Suncorp shall subscribe the same number of Shares being placed in the Placing, up to 55,000,000 Shares. 55,000,000 new Shares representing around 9.53% of the Company's existing issued share capital and around 8.70% of the Company's issued share capital as enlarged by the issue of the Subscription Shares.

A further announcement will be made by the Company in the event that the number of Shares subscribed is less than 55,000,000 Shares.

### **Mandate to issue the Subscription Shares**

The Subscription Shares will be issued pursuant to the general mandate granted to the board of Directors by the Shareholders on 25 April 2006. Under such general mandate, the Directors are allowed to allot and issue up to 57,479,600 Shares. As at the date of this announcement, no Share has been allotted or issued pursuant to the general mandate.

### **Subscription Price**

The Subscription Price is equal to the Placing Price, which represents (i) a discount of around 9.5% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on 23 April 2007, being the last trading date prior to the suspension of trading of the Shares pending release of this announcement; and (ii) a discount of around 10.66% to the average closing price of HK\$2.026 per Share for the last 5 trading days up to and including 23 April 2007.

The Subscription Price was determined after arm's length negotiation between the Company and Suncorp. The Directors consider that the Subscription Price is fair and reasonable so far as the Company and the Shareholders are concerned.

The net price per Subscription Share is about HK\$1.76 after adjusting for the expenses of the Placing and the Subscription.

### Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (i) completion of the Placing pursuant to the Subscription Agreement;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (iii) if required, the Bermuda Monetary Authority granting permission to allot and issue the Subscription Shares.

### Rights of the Subscription Shares

The Subscription Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the existing Shares in issue on the date of allotment and issue of the Subscription Shares.

### Completion of the Subscription

The Subscription is expected to be completed, subject to the fulfillment of the conditions set out above and the performance by Suncorp of its obligations under the Subscription Agreement, on or before 30 April 2007 or such other date as the Company and Suncorp may agree in writing.

## EFFECTS OF THE PLACING AND THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

	Immediately before the Placing and Subscription		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Cheng	409,918,800	71.02%	301,918,800	52.31%	356,918,800	56.46%
Public	<u>167,238,167</u>	<u>28.98%</u>	<u>275,238,167</u>	<u>47.69%</u>	<u>275,238,167</u>	<u>43.54%</u>
Total	<u><u>577,156,967</u></u>	<u><u>100.00%</u></u>	<u><u>577,156,967</u></u>	<u><u>100.00%</u></u>	<u><u>632,156,967</u></u>	<u><u>100.00%</u></u>

### APPLICATION TO THE STOCK EXCHANGE

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

## **REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

Assuming that 108,000,000 Placing Shares are placed by Quam Securities, the gross proceeds of the Placing will be about HK\$195.48 million. Suncorp intends to apply about HK\$99.55 million out of such gross proceeds for subscription of the Subscription Shares under the Subscription Agreement. The remaining balance of the gross proceeds, after deducting the costs and expenses from the Placing, will be advanced by Suncorp on an interest-free basis to the Company. Suncorp has confirmed such Shareholder's loan shall be unsecured, non-interest bearing and with no fixed repayment terms. As (i) neither Suncorp nor its beneficial owner is a party to the Share Acquisition Agreement; (ii) the Placing Agreement and the Subscription Agreement are not conditional on the Share Acquisition Agreement becoming unconditional or vice versa; and (iii) the Shareholder's loan will be granted by Suncorp to the Company in any event, independent from whether the Acquisition will proceed or not, Suncorp has no material interest in the Acquisition. It is noted that the interest of Suncorp and its beneficial owner in the toy industry is only held through the Company, under which the interests of Suncorp, its beneficial owner and the Shareholders are the same. On such basis, Suncorp is not required to abstain from voting to approve the Acquisition. Furthermore, pursuant to Rule 14A.65(4) of the Listing Rules, as the Shareholder's loan granted by Suncorp is for the benefit of the Company on better than normal commercial terms where no security over the assets of the Company is granted in respect of the Shareholder's loan, the Shareholder's loan provided by Suncorp is exempt from reporting, announcement, and the independent Shareholder's approval requirements under the Listing Rules.

The net proceeds of the Subscription and the Shareholder's loan to be advanced by Suncorp will be used to fund the Acquisition. In the event that the net proceeds of the Subscription and the Shareholder's loan to be advanced by Suncorp are not sufficient to fund the Acquisition, the Directors intend to finance the shortfall by the Company's internal resources.

The Directors also consider the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FUND RAISING IN THE PAST 12 MONTHS**

Up to the date of this announcement, the Company had not effected any fund raising activities in the past 12 months.

## **SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES**

Trading in the Shares was suspended at the request of the Company with effect from 9:32 a.m. on 24 April 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 30 April 2007.

## **GENERAL**

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 the executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey and Mr. Wan Hing Pui as the independent non-executive Directors.

## **DEFINITIONS**

“Acquisition”	the acquisition of all of the equity interests of each of Funrise LLC, Funrise Inc. and Code 3 LLC pursuant to the Share Acquisition Agreement
“Board”	the board of Directors

“Business Day(s)”	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong and in United States
“Code 3 LLC”	Code 3 Collectibles LLC, a Delaware limited liability company
“Company”	Matrix Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Share Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Funrise Group”	the Funrise LLC, the Funrise Inc., Code 3 LLC and their respective subsidiaries
“Funrise LLC”	Funrise Holdings, LLC, a Delaware limited liability company
“Funrise Inc.”	Funrise Inc. a California Corporation
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“Material Adverse Effect”	any fact, event or circumstance that, individually or when taken together with any other fact, event, or circumstance, has a material adverse effect on (i) the ability of any Vendor and any member of the Funrise Group to perform its respective obligations under any transaction agreement to which it is a party, or (ii) the business (as currently conducted by the Funrise Group or contemplated to be conducted by the Funrise Group after Completion), operations (including but not limited to results of operation), financial conditions, assets or liabilities relating to the business
“Maxibase”	Maxibase International Limited, an indirect wholly-owned subsidiary of the Company, incorporated in the British Virgin Islands with limited liability
“Placee(s)”	any professional, institutional or other investor(s) procured by Quam Securities to purchase the Placing Shares
“Placing”	unconditional placing of the Placing Shares by Quam Securities pursuant to the Placing Agreement
“Placing Agreement”	the unconditional placing agreement dated 24 April 2007 entered into by Suncorp and Quam Securities in relation to the Placing
“Placing Price”	HK\$1.81 per Placing Share
“Placing Shares”	108,000,000 existing Shares owned by Suncorp to be placed under the Placing
“Quam Securities”	Quam Securities Company Limited
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company

“Share Acquisition Agreement”	the conditional sale and purchase agreement dated 25 April 2007 entered into among Maxibase, the Vendors, Funrise LLC, Funrise Inc. and Code 3 LLC in relation to the Acquisition
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suncorp”	Suncorp Investments Group Limited, which is beneficially owned by Mr. Cheng, the chairman of the Company, is the controlling Shareholder holding 409,918,800 Shares (representing approximately 71.02% of the issued share capital of the Company as at the date of this announcement)
“Subscription”	the conditional subscription for the Subscription Shares by Suncorp pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 24 April 2007 entered into between the Company and Suncorp in relation to the Subscription
“Subscription Price”	HK\$1.81 per Subscription Share
“Subscription Shares”	up to 55,000,000 new ordinary Shares, with an aggregate nominal value of HK\$5.50 million to be subscribed by Suncorp under the Subscription Agreement
“United States” or “US”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the United States, and the exchange rate for the purpose of this announcement is US\$1 = HK\$ 7.8
“Vendors”	The A&L Rubin Family, LLC; Mr. Arnold Rubin; Mrs. Lillian Rubin; Mr. Brian Rubin; Ms. Laurie Rubin; Rubin Code 3 Family Limited Partnership; Mr. Lewis Anten; Mr. Martin Kruger; Ms. Shirley Price; Mr. Ryan Logan; and Mr. Scott Schellhase
“%”	per cent.

By order of the Board  
**Cheng Yung Pun**  
*Chairman*

Hong Kong, 27 April 2007

\* *For identification purpose only*