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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)

SUPPLEMENTAL AGREEMENT, COMPLETION OF THE ACQUISITION OF THE FUNRISE GROUP AND RESUMPTION OF TRADING

Financial adviser to Matrix Holdings Limited



Quam Capital Limited

THE SUPPLEMENTAL AGREEMENT

On 8 June 2007, the parties to the Share Acquisition Agreement entered into a supplemental agreement, pursuant to which they mutually agreed, amongst other things;

- (i) a change in the Vendors who were originally parties to the Share Acquisition Agreement;
- (ii) an extension to the period for which the Escrow Amount will be retained and the provision of certain indemnities to Maxibase in relation to certain consents on licences; and
- (iii) the provision of share options in the Company to two of the Vendors whom are members of the Funrise Group senior management and whom upon Completion have entered into employment contracts with Funrise Inc.

COMPLETION

The Board is pleased to announce that all conditions to the Share Acquisition Agreement and the Supplemental Agreement respectively have been fulfilled (or waived) on 8 June 2007 and that Completion took place on the same date.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 11 June 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 13 June 2007.

Reference is made to the announcement of the Company in relation to, among others, the proposed acquisition by Maxibase, an indirect wholly-owned subsidiary of the Company, of all the equity interests of the Funrise Group for a total consideration of US\$23 million (equivalent to approximately HK\$179.4 million) dated 27 April 2007 (the "Announcement"). Unless defined otherwise, terms used herein shall have the same meanings as those defined in the Announcement.

THE SUPPLEMENTAL AGREEMENT

Under the Share Acquisition Agreement, Maxibase agreed to acquire and the Vendors agreed to sell all equity interests of each of Funrise LLC, Funrise Inc., and Code 3 LLC in accordance with the terms set out in the Share Acquisition Agreement. On 8 June 2007, Maxibase and the Vendors entered into a supplemental agreement (the “Supplemental Agreement”) pursuant to which they mutually agreed, amongst other things, the following amendments to the Share Acquisition Agreement:

Change in the Vendors

Subsequent to entering into the Share Acquisition Agreement, the Vendors have agreed amongst themselves that save for Mr. Arnold Rubin, Mrs. Lillian Rubin and Mr. Lewis Anten (the “Continuing Vendors”), each of the other Vendors (the “Departing Vendors”) shall transfer all their respective equity interests in each of Funrise LLC, Funrise Inc., and Code 3 LLC to the Continuing Vendors. The main reason for such transfer was to consolidate the ownership of the various companies in the Funrise Group in order to simplify the Acquisition. Upon completion of such transfer, each of Funrise LLC, Funrise Inc., and Code 3 LLC will be owned by the Continuing Vendors.

Notwithstanding the change in the Vendors, the Departing Vendors shall remain liable for all representations and warranties as set out in the Share Acquisition Agreement and continue to be bound by the provisions of the Share Acquisition Agreement.

Provision of indemnities and extension to the period of retention of the Escrow Amount

As mentioned in the Announcement, the Funrise Group had previously entered into various licence agreements with other parties to sell and distribute toy products, subject to the terms and conditions of such licences. In certain cases the licensors’ consents are required in the event of a change of control of the Funrise Group. Whilst various consents had already been obtained prior to the Completion, certain consents were still pending or contained certain conditions. Where licences relate to products which are no longer currently sold by the Funrise Group or comprise only a small portion of the turnover of the Funrise Group, the Company considers that it is not in its best interests to wait for all such outstanding consents to be obtained prior to the Completion. This is because in the event that such a consent was not received and the licence was instead subsequently terminated, any loss to the Company would be minor only and would not have any material impact on the operations of the Funrise Group. Since the obtaining of all consents is beyond the control of the Company and the Funrise Group, the Company considers that it is impractical to wait for all consents to be obtained and it is unlikely that there will be any material impact on the operations of the Funrise Group by not having all these consents, the Company considers that to wait for all consents to be received would cause undue delay. However, in order to provide additional protection to the Company in respect of any outstanding consents (and one conditional consent which has already been received), the following steps were taken.

A specific indemnity up to a maximum aggregate amount of US\$5,000,000 has been given by the Vendors in respect of a conditional licence transfer consent which has been received. This consent has been made conditional upon the continuing employment of Mr. Arnold Rubin with the Funrise Group. The licence to which this consent relates is valid up until 31 December 2008, being the same date to which the retention period of the Escrow Amount has now been extended up until under the terms of the Supplemental Agreement. In addition, as more time than expected is required to obtain all of the licences transfer consents, a general indemnity for the outstanding licences transfer consents has been given by the Vendors up to the full amount of the Consideration. The Directors consider that the specific and general indemnities given by the Vendors are fair and reasonable. Hence, the Escrow Amount shall serve as security deposit payment for the net sales adjustment mechanism as stated in the Announcement, as well as towards any payment that may be required in respect of the aforementioned indemnities.

Notwithstanding the aforementioned outstanding consents, the Directors consider that with an aim to facilitate the implementation of the Group's expansion strategy, it is in the interest of the Company to integrate the operation of the Funrise Group into the Group as soon as practicable.

Share options

At Completion, each of Mr. Arnold Rubin and Mr. Lewis Anten entered into an employment contract with Funrise Inc. as the president and the legal representative of Funrise Inc. respectively. Accordingly, Mr. Arnold Rubin and Mr. Lewis Anten are eligible to receive share options granted under the share option scheme of the Company. Pursuant to the Company's share option scheme and in compliance with Chapter 17 of the Listing Rules, the Supplemental Agreement provides that the Company shall grant share option for 6,300,000 and 2,133,333 Shares to Mr. Arnold Rubin and Mr. Lewis Anten respectively, to purchase an aggregate of up to 8,433,333 Shares in accordance with and subject to the terms and conditions of the Company's share option scheme adopted on 17 December 2002. Such options were issued at Completion with an exercise price of HK\$1.936 per Share, being the higher of the closing price of the Shares on the date of Completion and the five-days average closing price of the Shares immediately preceding the date of Completion.

Post-Completion Undertaking

As a post-Completion undertaking, the Continuing Vendors shall present, among others, all the outstanding consents on licenses in the approved terms from each of the relevant counterparties in due course.

To the best of the Director's knowledge, none of the Shareholders have any material interest in the Supplemental Agreement. The Supplemental Agreement is part of the Share Acquisition Agreement and the Directors consider that, after taking into account the terms of the Supplemental Agreement, the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

COMPLETION

The Company agreed to waive in part the condition that all necessary licence transfer consents has been received before Completion. As noted above however, additional indemnities and an extension to the period of retention of the Escrow Amount have been agreed between the parties to the Share Acquisition Agreement. In addition, a post-Completion undertaking is that any required outstanding consents shall be presented in due course.

The Board is pleased to announce that all conditions to the Share Acquisition Agreement and the Supplemental Agreement respectively have been fulfilled (or waived) on 8 June 2007 and the Completion took place on the same date. Therefore, each of Funrise LLC, Funrise Inc., and Code 3 LLC has become an indirectly wholly-owned subsidiary of the Company.

The Vendors confirmed that the estimated net book value of the Funrise Group at Completion amounted to negative US\$99,608. In accordance with the Share Acquisition Agreement, the Consideration paid has been adjusted downwards by the same amount.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

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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.

By order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 12 June 2007

* *For identification purposes only*