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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)

DISCLOSEABLE TRANSACTION

The Board announces that on 15 January 2010, Matrix Investments (a direct wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement pursuant to which Matrix Investments agreed to purchase from the Vendor, and the Vendor agreed to sell to Matrix Investments, the Sale Shares, representing the entire issued share capital of Max Smart, for a cash consideration of HK\$1. Upon Completion, Max Smart will become an indirect wholly-owned subsidiary of the Company.

As at 30 November 2009, the Target Group owed the Group approximately HK\$95.6 million and the Group owed the Target Group approximately HK\$37.8 million. After Completion of the Acquisition, such Current Account Balances will be eliminated in the consolidated balance sheet of the Company.

As the applicable percentage ratios in relation to the Acquisition represent 5% or more but less than 25% of calculations set out in Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules and is therefore subject to the reporting and announcement requirements.

* For identification purpose only

THE AGREEMENT

On 15 January 2010, Matrix Investments (a direct wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement pursuant to which Matrix Investments agreed to purchase from the Vendor, and the Vendor agreed to sell to Matrix Investments, the Sale Shares, representing the entire issued share capital of Max Smart, for a cash consideration of HK\$1. Upon Completion, Max Smart will become an indirect wholly-owned subsidiary of the Company. The principal terms of the Agreement are set out below:

Date

15 January 2010

Parties

- (1) Matrix Investments, as purchaser
- (2) Waterfront Investments Management Limited, as vendor

The Vendor is an investment holding company holding the Sale Shares.

On 26 June 2008, Matrix Investments entered into the Disposal Agreement with the Vendor and pursuant to the Disposal Agreement sold the Sale Shares to the Vendor at a consideration of HK\$1 million. Please refer to the announcement of the Company dated 27 June 2008 for details.

Apart from the Acquisition, the Company has no prior transaction with the Vendor and its associates in the past 12 months which would require aggregation with the Acquisition under Chapter 14 of the Listing Rules.

The Directors confirm that to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

Assets to be acquired

The Sale Shares, being 10 shares of US\$1.00 each in Max Smart issued as fully paid-up, represent the entire issued share capital of Max Smart as at the date of the Agreement and the date of this announcement.

Consideration

The consideration for the Acquisition is HK\$1. The consideration shall be paid by Matrix Investments in cash in full at Completion.

The consideration was agreed after arm's length negotiations between Matrix Investments and the Vendor after taking into account the net amount due from the Target Group to the Group under Current Account Balances between the Target Group and the Group due on 31 December 2009.

Completion

Completion of the Agreement shall take place on the Completion Date.

Release of the Vendor's Undertaking and the Purchaser's Undertaking

Upon Completion, the Purchaser shall release and discharge the Vendor from all liabilities and obligations under the Vendor's Undertaking and the Vendor shall release and discharge the Purchaser from all liabilities and obligations under the Purchaser's Undertaking.

INFORMATION ON THE TARGET GROUP

Max Smart

Max Smart is a company incorporated in the British Virgin Islands on 3 January 2008 and holds only the Keyhinge Group. It is an investment holding company and a direct wholly-owned subsidiary of the Vendor. Max Smart holds 100% equity interests in Keyhinge.

The Keyhinge Group

Keyhinge is a limited liability company incorporated in Hong Kong on 31 January 2000. It is an indirect wholly-owned subsidiary of the Vendor. Keyhinge is an investment holding company and holds 98% of the equity interests in the Vietnam Company which is principally engaged in the manufacture of gifts and novelties in Vietnam. The Group has been engaging the Keyhinge Group for the production of the Group's products before and after the Disposal Agreement.

Max Smart was incorporated in January 2008 and no audited accounts have been prepared since its incorporation.

Since its incorporation to 31 December 2008, Max Smart recorded unaudited consolidated profits before and after taxation of approximately HK\$3.03 million and approximately HK\$2.78 million respectively.

Set out below are the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2007 and 2008.

	For the financial year ended	
	31 December 2008*	31 December 2007
	(unaudited)	(unaudited)
	HK\$ million	HK\$ million
Profit before taxation and extraordinary items	3.03	11.63
Profit after taxation and extraordinary items	2.78	10.13

* prepared in accordance with Vietnam accounting standards

As at 30 November 2009, the Current Account Balances comprised outstanding payables of approximately HK\$95.6 million owing by the Target Group to the Group and outstanding payables of approximately HK\$37.8 million owing by the Group to the Target Group.

As at 30 November 2009, the unaudited deficiency in net asset value of the Target Group amounted to approximately HK\$41 million. Based on the unaudited balance sheet of the Target Group, as at 30 November 2009, excluding the Current Account Balances, the Target Group had a net asset value of approximately HK\$16.7 million attributable to the owner of the Target Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture and distribution of gifts, novelties items and infant and pre-school children toys. The Target Group was sold by the Purchaser to the Vendor pursuant to the Disposal Agreement.

The Sales Shares were sold by the Purchaser to the Vendor pursuant to the Disposal Agreement. Under the Disposal Agreement, the Vendor has given the Purchaser the Vendor's Undertaking where the Vendor has irrevocably undertaken to the Purchaser that the Vendor shall procure the relevant members of the Target Group to make full payment of all the then outstanding amount payables by the Target Group to the Purchaser and/or its relevant Affiliate on or before 31 December 2009. The Purchaser has on the other hand given the Purchaser's Undertaking to the Vendor where the Purchaser has irrevocably undertaken to the Vendor that it shall use its best endeavours to procure its relevant Affiliate to make full payment of all the then outstanding amounts payables by them to the Target Group on or before 31 December 2009.

After completion of the Disposal Agreement, the Target Group has continued to be a manufacturer of the Group's products. As a result of the change in the overall economic and the business environment, the Current Account Balances are still outstanding and were due on 31 December 2009. With a view to resolving the repayment of the Current Account Balances, the Vendor proposed and the Purchaser agreed to the Acquisition at a nominal consideration of HK\$1.0.

The Group will continue to engage the Target Group to manufacture the Group's products after completion of the Acquisition. All the Current Account Balances will be eliminated in the consolidated financial statements of the Company after completion of the Acquisition and thus resolve any issue regarding the recoverability of the Current Account Balances at the Group's consolidated level. Based on the unaudited balance sheet of the Target Group, as at 30 November 2009, excluding the Current Account Balances, the Target Group had a net asset value of approximately HK\$16.7 million attributable to the owner of the Target Group.

Having considered the consideration for the Acquisition, the net assets of the Target Group excluding the Current Account Balances and the business relationship between the Group and the Target Group, the Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in relation to the Acquisition represent 5% or more but less than 25% of calculations as set out in Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules and is therefore subject to the reporting and announcement requirements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the purchase of the Sale Shares by Matrix Investments from the Vendor pursuant to the Agreement
“Agreement”	the agreement dated 15 January 2010 entered into between Matrix Investments and the Vendor regarding the sale and purchase of the Sale Shares
“Affiliate(s)”	In relation to any person, any subsidiary or holding company of such person and any subsidiary of any such holding company and any company in which such person or any such holding company holds or control directly or indirectly not less than 20% of the issued share capital
“associate(s)”	has the meaning ascribed to it under the Listing Rules
”Board”	the board of Directors
“Company”	Matrix Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Agreement
“Completion Date”	1 February 2010 (or such other date as Matrix Investments and the Vendor may agree in writing)

“Current Account Balances”	the payables owing by the Target Group to the Group and the payables owing by the Group to the Target Group outstanding from time to time, for the purpose of the release of the Purchaser’s Undertaking and the Vendor’s Undertaking in relation to the Current Account Balances, being the payables owing by the Target Group to the Group and the payables owing by the Group to the Target Group outstanding on or before 31 December 2009
“Directors”	directors of the Company
“Disposal Agreement”	the agreement dated 26 June 2008 entered into between Matrix Investments and the Vendor which was completed on 1 July 2008
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Keyhinge”	Keyhinge Holdings Limited, a company incorporated in Hong Kong with limited liability
“Keyhinge Group”	Keyhinge and the Vietnam Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Matrix Investments” or “Purchaser”	Matrix Investments Group Limited, a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Max Smart”	Max Smart Investment Limited, a company incorporated in the British Virgin Islands

“Purchaser’s Undertaking”	the undertaking given by Matrix Investments to the Vendor under the Disposal Agreement in respect of the repayment of the payables owing by the Group to the Target Group by 31 December 2009
“Sale Shares”	10 shares of US\$1.00 each of Max Smart held by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Max Smart and the Keyhinge Group
“US\$”	US Dollars, the lawful currency of the United States of America
“Vendor”	Waterfront Investments Management Limited, a company incorporated in the British Virgin Islands
“Vendor’s Undertaking”	the undertaking given by the Vendor to Matrix Investments under the Disposal Agreement in respect of the repayment of the payables owing by the Target Group to the Group by 31 December 2009
“Vietnam Company”	Keyhinge Toys Vietnam Joint Stock Company, a company incorporated in Vietnam and is principally engaged in the manufacture of gifts and novelties in Vietnam
“%”	per cent

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 15 January 2010

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Arnold Edward Rubin, Mr. Yu Sui Chuen, Ms. Cheng Wing See, Nathalie, Mr. Cheung Kwok Sing, Mr. Leung Hong Tai and Mr. Tse Kam Wah 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.