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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 ANNOUNCEMENT IN RELATION TO 2023 ANNUAL REPORT

Reference is made to the 2023 annual report of the Company dispatched on 17 July 2024 (the “**2023 Annual Report**”). Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the 2023 Annual Report.

The Company would like to provide additional information on the section headed “Explanation of the qualified opinion” on pages 13 to 14 of the 2023 Annual Report as mentioned in the Audit Qualification, to its shareholders and potential investors as follows:

THE COMPANY’S VIEW AND POSITION AS TO THE AUDIT QUALIFICATION

The information and explanations requested by the auditors include the documents which would satisfy them in respect of including but not limited to whether accepting prize money is general practice in the horse racing industry, the business rationale and the arrangements regarding horse management services had been properly authorised prior to entering into the agreement, and the supportive evidence to them.

The Audit Qualification is due to differences between the auditors and the Company’s management in relation to the interpretation of a connected person’s horse lending arrangement to the Group’s subsidiary.

Due to the Company’s manufacturing operation in Vietnam, the Company’s management has firsthand knowledge in Vietnam’s economic growth. The Company’s management is of the view that there will be increasing demand for high quality real estate assets from the newly minted middle class in Vietnam, as well as foreign investment.

In 2019, the Company began planning for a large-scale real estate development in Vietnam’s Da Nang city (“**the Property Development**”). The Company envision the development to be a mixed residential and commercial development. To increase its appeal and to stand out from the competition, the Company intends to create a horse-racing centre within the development, along with large, landscaped gardens and other amenities

** For identification purpose only*

The Company has been acquiring lands for the Property Development, as well as obtaining the necessary government approvals. This has been announced by the Company in its announcement dated 27 July 2021. The process is still on-going, and the Company believes that all acquisition and government approval would be completed by the end of 2025 the latest.

In addition to land acquisition, the Company has also made preparatory steps for the horse-racing centre and the related horse-racing activity platform. This entails: (a) acquisition of racehorses for eventual import to Vietnam, (b) investment in horse-racing related human resources, (c) gaining experience in the operation of the horse-racing business and (d) acquiring know how in horse breeding (“**the Vietnam Horse Racing Platform**”).

Since the racehorse industry in Vietnam is still in early stage, the Company’s plan was to acquire racehorses in Australia and develop its racehorse management capabilities in Australia, then transfer the racehorses and the related capacity to Vietnam.

As part of its preparation for the Vietnam Horse Racing Platform, the Company reactivated its dormant wholly owned subsidiary, Viribright Lighting Pty Limited, its name was changed to Viribright Racing Pty Ltd (“**Viribright**”).

Due to the Company’s management’s wish not to spend significant capital outlay on horse acquisition, Viribright only purchased a limited number of racehorses. In order to speed up the process and enable Viribright to accumulate the necessary human resources, accumulation of skill set and management experience, the Company’s controlling shareholder, Mr Cheng Yun Pun (“**Mr. Cheng**”), decided to procure a company, Domeland Pty Limited (“**Domeland**”), to lend its racehorses to Viribright without charge. Domeland is regarded as an Associate of Mr Cheng under Chapter 14A of the Listing Rules, and Mr Cheng is a director of Domeland. Accordingly, Domeland is a connected person of the Company under Chapter 14A of the Listing Rules. Domeland was established in 1993 and has been focusing in investment of racehorses in Australia. It has good reputation among the horse racing industry in Australia.

The terms of the lending of horses from Domeland to Viribright are as follows:

- 1.1. Domeland lends its racehorses (“**the Racehorses**”) to Viribright without any charge for one year, to be renewed automatically;
- 1.2. the usage and associated benefits of the Racehorses are assigned to Viribright during the loan period;
- 1.3. Viribright is responsible for the maintenance and upkeep expenses of the Racehorses during the loan period; and
- 1.4. Viribright is entitled to use the Racehorses in whatever manner it sees fit and all earnings generated by the Racehorses (if any) would be kept by Viribright.

(“**the Horse Lending Arrangement**”)

The Horse Lending Arrangement can be terminated by either party on demand. Upon the termination of the Horse Lending Agreement, Viribright shall return the Racehorses to Domeland, the transportation expenses and other costs incurred thereof shall be borne by Domeland.

In 2020, the Company obtained permit from Vietnamese government to import 100 horses into Vietnam. However, due to COVID 19 outbreak and the delay in the completion of the land acquisition, the Company did not utilize the import permit.

In the meantime, in order to generate cashflow for the Company and train the team of crew for future servicing in Vietnam, Viribright entered the Racehorses into jockey competition to earn prize money and assess the performance of the crew team. It also provided the Company with experience in the horse racing jockey business.

In the financial year ended 31 December 2023, the horses on loan from Domeland won around AUD 2,876,000 in prize money from the horse-races, the prize money was deposited to Viribright's accounts ("**the Prize Money**").

The Company takes the view that the Prize Money should be classified as income generated by the Company's subsidiary, Viribright, as the Company has full control over the Racehorses on loan from Domeland and takes both the risks and benefits relating to the assets, namely, the racehorses. RSM did not agree with the Company's interpretation. As a result, the 2023 audited account was issued with the Audit Qualification.

However, in light of the delay in land acquisition as well as the downturn in the Company's core manufacturing business, the Company would scale down the capital investment in the Vietnam Property Development. As a result, the Company intends to suspend horse racing operations, with a target completion date of September 2024.

THE COMPANY'S PROPOSED ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION AND THE IMPLEMENTATION OF SUCH PLAN

The Company takes the Audit Qualification seriously and is committed to resolve the underlying issues. To address the auditors' concerns, the Company has initiated engagement with external experts to assist in addressing auditors' concern, implemented enhanced documentation procedures for explaining business rationale and recommended a comprehensive review of our internal control.

The Company's previous auditors, RSM, indicated that it would not offer themselves for re-election as the Company's auditor, as such, the Company is in the process of engaging a new auditor. The Company and the Audit Committee will involve new auditor in the process and disclose such potential changes in relation to any new projects, system changes or project progress to them at the stage of pre-engagement acceptance and communicate with the auditors regularly in order to streamline the process and enhance overall effectiveness of the audit in future. The Board has also resolved to monitor business risks more closely and strengthen internal controls, including incorporating this business in the internal audit cycle in 2024. We are confident that the steps we are taking will resolve the issues leading to the audit qualification.

LATEST STATUS OF THE ACQUISITION AND DEPOSITS PAID

As stated in the Company's announcement dated 27 July 2021, the Company's subsidiary, Keyhinge Toys Vietnam Joint Stock Company ("**Keyhinge**"), entered into a Master Capital Transfer Agreement with Nguyen Ha Chi ("**the Seller**") for acquisition of the entire capital of Kim Bao An Company Limited ("**the Target Company**"), pursuant to which Keyhinge would eventually acquire the legal rights of land use over certain Land Plots in Vietnam.

The Company is actively working to register the land title for the Land Plots to the Company owned by the Seller. The Company will seek to recover the deposit if the registration is unsuccessful. The process has faced delays due to COVID-19 disruptions and disputes over land compensation with local authorities.

Since the recovery from COVID-19 in 2023, the Company through the Target Company, has been actively liaising with the Da Nang city government regarding the registration of the Land Plot by having various meetings and enhancing the communication with the relevant government departments. The Da Nang city government has met with the Target Company, the site clearance board of Da Nang city and other relevant government departments to address the pending matters related to the land title transfer. During the meeting, agreements were reached regarding the proactive steps to facilitate the registration of the land title. The key actions to be taken and the expected timetable is as follows:-

Actions to be taken	Relevant government department	Expected timetable
Submitting a comprehensive report on the Thien Park project	Natural Resources & Environmental Department	By 31 August 2024
Formulation of compensation plan to local households	Site clearance board of Da Nang city	By December 2024
Approval of the compensation plan	Lien Chieu District People's Committee	By March 2025
Compensation payment to local households	Land clearance board of Da Nang city	By June 2025
Extension of land use period	Natural Resources & Environmental Department	By October 2025
Clearance and transfer of land title	Natural Resources & Environmental Department	By December 2025

The Target Company has collaborated with the relevant government departments to manage the site clearance and transfer of auctioned lands and plans, to work closely with the Lien Chieu District People's Committee and the Da Nang City Committee through weekly meetings with the relevant government departments to facilitate site clearance and expedite the process on site clearance and land transfer. The Company will continue to closely monitor the implantation of the above actions and will have regular meetings with the Target Company to ensure that the above timeline will be met.

The Company believes that if the above actions are successfully implemented, government approval for the land title registration could be completed by the end of 2025.

LISTING RULES IMPLICATION

The Company takes the view that the Horse Lending Arrangement is a form of financial assistance, provided by a connected person, Domeland, to the Company's subsidiary, Viribright on terms that are better than normal commercial terms. Accordingly, pursuant to Rule 14A.90 of the Listing Rules, it is a fully exempted transaction:

- 1.1. Racehorses are regarded as chattel under the law, similar to a car or machinery used in manufacturing; and
- 1.2. The lending of the Racehorses by Domeland to Viribright was provided free of charge. In effect, Domeland is providing a revenue generating assets to Viribright free of charge, with the ultimate purpose of assisting the Group to prepare for the launch of the Vietnam Horse Racing Platform. This is therefore a financial assistance from Domeland to Viribright at better than normal commercial terms.

However, the Horse Lending Arrangement was not originally reduced into writing, leading to an inadvertent non-compliance with Rule 14A.34 of the Listing Rules. The Company would carry out a comprehensive review of its internal control and avoid the re-occurrence of such non-compliance.

By order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 23 September 2024

As at the date of this announcement, the Board consists of Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Ms. Yip Hiu Har and Ms. Shirley Marie Price as executive directors; Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Chui Ka Hing and Mr. Heng Victor Ja Wei as independent non-executive directors.