
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in **Matrix Holdings Limited**, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

MATRIX

MATRIX HOLDINGS LIMITED

美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

PROPOSALS INVOLVING GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES ADOPTION OF THE 2012 SHARE OPTION SCHEME TERMINATION OF THE 2002 SHARE OPTION SCHEME AMENDMENTS TO THE BYE-LAWS AND RE-ELECTION OF RETIRING DIRECTORS

A notice convening an annual general meeting of Matrix Holdings Limited (the “Company”) to be held at Imperial Banquet Room IV-V, 2/F., Imperial Wing, Sunshine Hotel, 1 Jiabin Road, Shenzhen, China on Friday, 4th May, 2012, at 2:30 p.m. (the “AGM”) is set out in the 2011 Annual Report of the Company sent together with this circular. A form of proxy for use at the AGM is enclosed with this circular.

Whether or not you propose to attend the AGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company’s Branch Share Registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or the adjourned meeting (as the case may be). Completion and return of a proxy form will not preclude shareholders from attending and voting at the general meeting if they so wish.

28th March, 2012

* For identification purpose only

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	
I. Introduction	5
II. Share Issue Mandate.	6
III. Share Repurchase Mandate.	6
IV. Extension to the Share Issue Mandate	7
V. Directors Proposed to be re-elected	7
VI. Adoption of the 2012 Share Option Scheme and termination of the 2002 Share Option Scheme	8
VII. Valuation of Options.	11
VIII. Proposed Amendments to the Bye-Laws.	12
IX. Annual General Meeting and Dividend Entitlement	13
X. Action to be Taken	13
XI. Voting at the Annual General Meeting	14
XII. Document Available for Inspection.	14
XIII. Recommendation	14
XIV. Responsibility Statement	14
XV. General.	15
 Appendix 1 – Explanatory Statement to the Share Repurchase Mandate	16
 Appendix 2 – Summary of the Principal Terms of Rules of the 2012 Share Option Scheme	19
 Appendix 3 – Details of the Amendments to the Bye-Laws.	28
 Appendix 4 – Biographical Details of Directors proposed to be re-elected at the Annual General Meeting	41

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires.

“1994 Share Option Scheme”	the share option scheme adopted by the Company on 26th January, 1994 and was terminated on 17th December, 2002
“2002 Share Option Scheme”	the existing share option scheme adopted by the Company on 17th December 2002 and will expire on 16th December, 2012
“2012 Share Option Scheme”	the 2012 share option scheme to be adopted by the Company pursuant to the ordinary resolution referred to in resolution 6 of the notice of the AGM in its present or any amended form
“Adoption Date”	the date the 2012 Share Option Scheme adopted by a resolution of the Company in the AGM, which is expected to be 4th May, 2012
“AGM”	the annual general meeting of the Company to be held at Imperial Banquet Room IV-V, 2/F., Imperial Wing, Sunshine Hotel, 1 Jiabin Road, Shenzhen, China on Friday, 4th May, 2012 at 2:30 p.m.
“AGM Notice”	the notice convening the AGM, which is set out in the 2011 Annual Report sent together with this circular
“Associates”	Shall have the meaning ascribed to it under the Listing Rules
“Auditors”	the auditors of the Company at the relevant time
“Bankruptcy Ordinance”	the Bankruptcy Ordinance (Chapter 6 of the laws of Hong Kong) as amended from time to time
“Board”	the board of Directors of the Company
“Business Day”	shall have the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Bye-Laws”	the bye-laws of the Company
“Commencement Date”	in respect of any particular Option, the date upon which the Option is deemed to be granted and accepted in accordance with the provisions of the 2012 Share Option Scheme, as set out in paragraph 3 of Appendix 2 to this circular
“Company”	Matrix Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Connected Persons”	shall have the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	shall have the meaning ascribed to it under the Listing Rules
“Corporate Communications”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Eligible Participant”	any full-time employees, executives or officers, directors of the Company or any of the Subsidiaries and any suppliers, consultants, agents or advisers who have contributed to the Group
“Employee”	any full-time employee or officer of any member of the Group
“Existing Issue Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 5th May, 2011 to allot, issue and deal with Shares not exceeding 20 per cent. of the aggregate number of Shares comprised in the share capital of the Company in issue as at 5th May, 2011

DEFINITIONS

“Existing Repurchase Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 5th May, 2011 to repurchase Shares not exceeding 10 per cent. of the aggregate number of Shares comprised in the share capital of the Company in issue as at 5th May, 2011
“Existing Share Option Scheme Limit”	the maximum number of Shares which may be issued upon the exercise of all share options granted or to be granted under the 2002 Share Option Scheme and any other share option scheme(s) as may from time to time be adopted by the Company as permitted under the Listing Rules, being 10 per cent. of aggregate number of Shares comprised in the share capital of the Company in issue as at 5th May, 2011
“Grantee”	any Eligible Participant who accepts the offer of the grant of an Option in accordance with the rules of the 2012 Share Option Scheme or (where the context so permits) a person or persons who, in accordance with the laws of succession applicable in respect of the death of such Eligible Participant is, or are entitled to exercise the Option accepted by such Eligible Participant (to the extent not already exercised) in consequence of the death of such Eligible Participant
“Group”	the Company and its subsidiaries
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	23rd March, 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 5B of the AGM Notice
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“Share Issue Mandate”	a general mandate proposed to be granted to the Directors at the AGM to allot, issue and deal with Shares of up to 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting such mandate
“Share Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the AGM to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting such mandate
“Subsidiary”	A company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance chapter 32 of the Laws of Hong Kong, as modified from time to time) of the Company
“substantial shareholder”	shall have the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	The Hong Kong Code on Takeovers and Mergers

LETTER FROM THE BOARD

MATRIX

MATRIX HOLDINGS LIMITED

美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

Directors:

Executive Directors:

Cheng Yung Pun (*Chairman*)
Arnold Edward Rubin (*Vice-Chairman*)
Cheng Wing See, Nathalie
Cheung Kwok Sing
Leung Hong Tai
Tsang Chung Wa
Tse Kam Wah
Yu Sui Chuen

Independent Non-Executive Directors:

Loke Yu alias Loke Hoi Lam
Mak Shiu Chung, Godfrey
Wan Hing Pui

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Place of Business

in Hong Kong:

Suite Nos. 223-231, 2/F.
Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

28th March, 2012

To the Shareholders of the Company

Dear Sir or Madam,

PROPOSALS INVOLVING GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES ADOPTION OF THE 2012 SHARE OPTION SCHEME TERMINATION OF THE 2002 SHARE OPTION SCHEME AMENDMENTS TO THE BYE-LAWS AND RE-ELECTION OF RETIRING DIRECTORS

I. INTRODUCTION

The purpose of this circular is to provide you with the information in respect of the resolutions to be proposed at the AGM for, amongst other things:–

- (i) granting to the Directors the Share Issue Mandate;
- (ii) granting to the Directors the Share Repurchase Mandate;

* For identification purpose only

LETTER FROM THE BOARD

- (iii) extending the Share Issue Mandate by adding to it the aggregate number of the issued Shares repurchased under the Share Repurchase Mandate;
- (iv) adopting the 2012 Share Option Scheme;
- (v) terminating the 2002 Share Option Scheme;
- (vi) amending the Bye-Laws of the Company; and
- (vii) re-electing the retiring Directors.

II. SHARE ISSUE MANDATE

An ordinary resolution will be proposed at the AGM for the purpose of renewing the Existing Issue Mandate granted to Directors to allot, issue and otherwise deal with the Shares. The Existing Issue Mandate will expire at the conclusion of the AGM. The Share Issue Mandate is subject to a limit up to 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the resolution.

As at the Latest Practicable Date, the issued share capital of the Company comprised 717,477,313 Shares. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the date of passing the resolution approving the Share Issue Mandate, the maximum number of Shares which may be issued pursuant to the Share Issue Mandate on the date of passing the resolution approving the Share Issue Mandate will be 143,495,462 Shares.

III. SHARE REPURCHASE MANDATE

The Repurchase Resolution will be proposed for the purpose of renewing the Existing Repurchase Mandate granted to the Directors to repurchase Shares. The Existing Repurchase Mandate will expire at the conclusion of the AGM. The Share Repurchase Mandate is subject to a limit up to 10 per cent. of the issued share capital of the Company as at the date of passing the resolution. An explanatory statement to the Share Repurchase Mandate as required under the Listing Rule is set out in the Appendix 1 to this circular.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the issued share capital of the Company comprised 717,477,313 Shares. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the date of passing the resolution approving the Share Repurchase Mandate, the maximum number of Shares which may be issued pursuant to the Share Repurchase Mandate on the date of passing the resolution approving the Share Repurchase Mandate will be 71,747,731 Shares.

IV. EXTENSION TO THE SHARE ISSUE MANDATE

Subject to the passing at the AGM of the proposed resolution regarding the Share Issue Mandate and the Repurchase Resolution, an ordinary resolution will be proposed at the AGM to authorise the Directors to issue new shares in an amount not exceeding the aggregate nominal amount of the Shares repurchased pursuant to the Share Repurchase Mandate.

Subject to the passing of the relevant ordinary resolutions at the AGM, the proposed Share Issue Mandate, Repurchase Share Mandate and extension to the Share Issue Mandate will continue in force for the period from the passing of such resolutions until whichever is the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; or (iii) the date on which such authority is revoked or varied by ordinary resolution of the Shareholders at a general meeting of the Company.

Shareholders are referred to the AGM Notice, set out in the 2011 Annual Report of the Company sent together with this circular, for details of all the resolutions to be proposed at the AGM. With reference to these resolutions, the Board wishes to state that it has no immediate plans to repurchase any Shares or to issue any new Shares, whether for cash or otherwise, pursuant to the relevant mandates.

V. DIRECTORS PROPOSED TO BE RE-ELECTED

In accordance with clause 99 of the Bye-laws of the Company, Mr. Yu Sui Chuen, Mr. Leung Hong Tai, Mr. Tse Kam Wah and Dr. Loke Yu alias Loke Hoi Lam will retire by rotation at the AGM. These four directors retiring, being eligible, offer themselves for re-election. The particulars of these four Directors which are required to be disclosed by the Listing Rules are set out in Appendix 4 to this circular.

LETTER FROM THE BOARD

VI. ADOPTION OF 2012 SHARE OPTION SCHEME AND TERMINATION OF 2002 SHARE OPTION SCHEME

2002 Share Option Scheme

On 17th December, 2002, the Shareholders approved the termination (to the effect that no further option shall be offered) of the 1994 Share Option Scheme and the adoption of the 2002 Share Option Scheme but no options had been granted in the 1994 Share Option Scheme in accordance with its terms.

As at the Latest Practicable Date, options to subscribe for a total of 89,601,333 Shares had been granted, of which options to subscribe for 29,701,333 Shares have been lapsed and options to subscribe for 150,000 Shares had been exercised under the 2002 Share Option Scheme. Accordingly, options to subscribe for 59,750,000 Shares as at the Latest Practicable Date remained outstanding and exercisable. The Directors have no intention to grant further options under the 2002 Share Option Scheme from the Latest Practicable Date to the date of AGM.

Termination of 2002 Share Option Scheme

Under the terms of the 2002 Share Option Scheme, the Company may by resolution in general meeting at any time terminate the operation of the 2002 Share Option Scheme. It is proposed by the Directors to terminate the 2002 Share Option Scheme and adopt the 2012 Share Option Scheme. Upon the termination of the 2002 Share Option Scheme, no further options could thereafter be offered under the 2002 Share Option Scheme, but in all other respects, the provisions of the 2002 Share Option Scheme shall remain in force and effect and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the 2002 Share Option Scheme.

LETTER FROM THE BOARD

Adoption of 2012 Share Option Scheme

The 2002 Share Option Scheme was adopted by the Company on 17th December, 2002 which will expire on 16th December, 2012. The Directors consider that the 2012 Share Option Scheme, which will be valid for 10 years from the date of its adoption, will provide the Company with more flexibility in long term planning of granting of the share options to Eligible Employees in the future. The Board may grant options to any Eligible Participant, who have contributed to the business and operation of the Group. The 2012 Share Option Scheme will enable the Group to offer valuable incentive to attract and retain quality personnel and other persons to work to increase the value of the Shares of the Company. To this end, the Board may specify the minimum period, if any, for which an option must be held or performance targets, if any, that must be achieved before the option can be exercised.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10 per cent. of the Shares in issue as at the date of approval of the 2012 Share Option Scheme. Based on 717,477,313 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased prior to the AGM, options to subscribe for up to a maximum of 71,747,731 Shares may be granted under the 2012 Share Option Scheme and any other schemes of the Company. Moreover, under the 2012 Share Option Scheme, the Company may seek for Shareholders' approval to renew such 10 per cent. limit provided, inter alia, that the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the 2002 Share Option Scheme and 2012 Share Option Scheme and any other schemes of the Company must not exceed 30 per cent. of the Shares in issue from time to time.

The Company is not required to appoint any trustee for the purpose of administering the 2012 Share Option Scheme and none of the Directors has a direct or indirect interest in the trustee.

The Directors, having made all reasonable enquiries, confirm that to their best knowledge and information, as at the Latest Practicable Date, no Shareholders have a material interest in the 2012 Share Option Scheme different from that of any other Shareholders and accordingly, no Shareholders will be required to abstain from voting at the AGM on the resolution approving the adoption of the 2012 Share Option Scheme.

LETTER FROM THE BOARD

The 2012 Share Option Scheme will be subject to and conditional upon:

- (i) the passing of an ordinary resolution at the AGM to approve the adoption of the 2012 Share Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new Shares of the Company which may be issued and allotted pursuant to the 2012 Share Option Scheme;
- (iii) the Bermuda Monetary Authority giving permission in respect of the granting of options and the issue of Shares upon exercise of options under the 2012 Share Option Scheme, if so required.

Application have been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the new Shares of the Company, representing 10 per cent. of the Shares in issue as at the Adoption Date, which may be issued pursuant to the 2012 Share Option Scheme.

As abovementioned, based on the number of Shares in issue as at the Latest Practicable Date, assuming no further Shares will be issued or repurchased prior to the AGM, the Company may grant options to subscribe for 71,747,731 Shares, being 10 per cent. of the issued share capital of the Company as at the Latest Practicable Date, under the 2012 Share Option Scheme. The Shares of the Company are only listed on the Stock Exchange and not on any other stock exchange.

As part of the special business of the AGM, Shareholders are asked to consider and if thought fit, to pass the ordinary resolution as set out in item 6 of the notice of the AGM to, among other things, (a) approve the 2012 Share Option Scheme; (b) authorize the Directors to issue and allot Shares upon exercise of the options; and (c) terminate the 2002 Share Option Scheme.

A summary of the rules of the 2012 Share Option Scheme is set out in the Appendix 2 to this circular.

LETTER FROM THE BOARD

VII. VALUATION OF OPTIONS

The Board considers it inappropriate to value all the Options that can be granted under the 2012 Share Option Scheme on the assumption that they were granted on the Latest Practicable Date, as a number of variables crucial for the valuation cannot be determined. The variables include the exercise price, exercisable period, interest rate, expected stock price volatility and other variables which are critical for the determination of the value of such options, including the subscription price for the Shares upon the exercise of the subscription rights attaching to the options, whether or not the options will be granted under the 2012 Share Option Scheme and the timing of the granting of such options, the discretion of the Board to impose any performance target that has to be achieved before the subscription rights attaching to the options can be exercised and any other conditions that the Directors imposed on the options and whether or not such options if granted will be exercised by the Grantees.

The subscription price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant options under the 2012 Share Option scheme. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility the Share price may be subject to during the ten year life span of the 2012 Share Option Scheme. In the premises, the Board is of the view that the value of the option depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Board believes that any valuation of the options based on a large number of speculative assumptions would not be meaningful but would be misleading to the Shareholders.

However, in the event that the 2012 Share Option Scheme is adopted by the Shareholders and options are granted thereunder, the value of the Options granted during the relevant financial period/year will be given in the interim report and annual report of the Company as required by the Listing Rules.

LETTER FROM THE BOARD

VIII. PROPOSED AMENDMENTS TO THE BYE-LAWS

The Board proposed to put forward the special resolution to the Shareholders for approval at the AGM to make certain amendments to the Bye-Laws as set out in the resolution 7 of Notice of AGM. The proposed amendments will principally reflect the recent changes brought about by the amendments to the Companies Act 1981 of Bermuda and the Listing Rules and certain housekeeping improvements. The proposed amendments will, among other things, as follows:–

- (a) the Company will be permitted to deem consent on the part of a Member to a corporate communication being made available to him solely on the Company's website or the Stock Exchange's website if the procedures set out in the Listing Rules and the Bye-Laws are complied with;
- (b) The Auditors of the Company shall be appointed by the Company in annual general meeting from the conclusion of the meeting until the next annual general meeting. The Auditors of the Company shall not be removed before the end of its term of office unless obtaining the Shareholders' approval in general meeting. The Directors shall have power to fill any casual vacancy before the end of their period of office and fix the remuneration of the Auditors so appointed;
- (c) clarify the procedures that the shareholders can use to propose a person for election as a director;
- (d) all resolutions at general meetings of the Company shall be decided by poll other than resolution which relates purely to a procedural or administrative matter as the chairman of the meeting may in good faith allow it to be voted on by a show of hands;
- (e) subject to certain exceptions, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest nor shall he be counted in the quorum present at the meeting, and the exception that a director may vote on such board resolution provided that he/she or any of his/her associates are not beneficially interested in more than 5% in the party with which the Company proposes to enter into a contract or arrangement shall be removed;
- (f) other minor amendments for housekeeping improvements purpose.

LETTER FROM THE BOARD

The legal advisers to the Company as to Hong Kong laws and Bermuda laws have confirmed that the proposed Bye-Laws amendments comply with the requirements of the Listing Rules and the applicable laws of Bermuda respectively. The Company confirms that there is nothing unusual about the proposed Bye-Laws amendments for a company listed on the Stock Exchange.

The full text of the special resolution containing such proposed Bye-Laws amendments is set out in resolution 7 of the notice of AGM.

The Board is of the opinion that the proposed amendments to the Bye-Laws are in the best interest of the Company and the Shareholders as a whole.

IX. ANNUAL GENERAL MEETING AND DIVIDEND ENTITLEMENT

The AGM Notice is set out in the 2011 Annual Report of the Company sent together with this circular.

The Register of Members of the Company will be closed from 2nd, May, 2012 to 4th, May, 2012, both days inclusive for the entitlement to attend the AGM, and be closed on 10th May, 2012 for the final dividend entitlement, during such periods no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30th April, 2012. In order to be eligible to have final dividend, all transfers accompanied by the relevant share certificates must be lodged with the address of the Company's Branch Share Registrar in Hong Kong as abovementioned, not later than 4:30 p.m. on 9th May, 2012.

X. ACTION TO BE TAKEN

A proxy form for use at the AGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). Whether or not you intend to attend the AGM, you are requested to complete the proxy form and return it to the abovementioned Branch Share Registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or the adjourned meeting (as the case may be). Completion and return of a proxy form will not preclude shareholders from attending and voting at the general meeting if they so wish.

LETTER FROM THE BOARD

XI. VOTING AT THE ANNUAL GENERAL MEETING

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions proposed to approved at the AGM will be taken by poll.

XII. DOCUMENTS AVAILABLE FOR INSPECTION

It is therefore proposed that the 2012 Share Option Scheme for the benefit of the Eligible Participants be adopted and the 2002 Share Option Scheme be terminated simultaneously at the AGM. A summary of the principal terms of the 2012 Share Option Scheme is set out in Appendix 2 to this circular. A copy of the 2012 Share Option Scheme will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite Nos. 223-231, 2/F., Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong, during the 14-day period immediately preceding the AGM and at the AGM itself.

XIII. RECOMMENDATION

The Directors consider that proposals of the Share Issue Mandate, the Share Repurchase Mandate, the extension to the Share Issue Mandate, the adoption of the 2012 Share Option Scheme Limit, the termination of the 2002 Share Option Scheme, the amendments to the Bye-Laws and Re-election of Retiring Directors are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend all the Shareholders should vote in favour of these resolutions as set out in the AGM Notice to be proposed at the AGM.

Smart Forest Limited, the controlling shareholder of the Company as defined in the Listing Rules, which holds 73.45% shareholding of the Company as at the Latest Practicable Date, has indicated that they intend to vote in favour of these resolutions in respect of their holding of Shares.

XIV. RESPONSIBILITY STATEMENT

This circular for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

XV. GENERAL

A further announcement will be made on the outcome of the AGM regarding the poll voting results, the adoption of the 2012 Share Option Scheme, the termination of the 2002 Share Option Scheme and the amendments to the Bye-Laws on Business Day of the date of such meeting.

As at the date of hereof, 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, Mr. Tsang Chung Wa 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.

By Order of the Board

Cheng Yung Pun

Chairman

This Appendix serves as an explanatory statement as required under the Listing Rules to provide you with the information necessary for your consideration of the Share Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 717,477,313 Shares.

Exercise in full of the Repurchase Mandate, on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the approval of the Share Repurchase Mandate, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 71,747,731 Shares representing not more than 10 per cent. of the issued share capital of the Company as at the date of the Resolution.

2. REASONS FOR REPURCHASE

The Directors believe that the Share Repurchase Mandate is in the best interests of the Company and its Shareholders. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or and/or its earnings per Share and will only be made when the Directors believe that such a purchase will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds entirely from the Company's available cashflow or working capital facilities which will be funds legally available in accordance with the provisions of the Bye-laws of the Company and the Bermuda laws for the purpose. It is envisaged that the funds required for any repurchase would be derived from those funds of the Company, legally permitted to be utilised in this connection, including capital paid up on the Shares to be repurchased, profits otherwise available for distribution and sums standing to either the share premium account or contributed surplus account of the Company.

On the basis of the consolidated financial position of the Company as at 31st December, 2011 (being the date to which the latest published audited financial statements of the Company have been made up) and in particular the working capital position of the Company at that time and the number of Shares now in issue, the Directors consider that there might be a material adverse impact on the working capital position or the gearing position of the Company in the event that purchase of all the Shares the subject of the Share Repurchase Mandate were to be carried out in full during the Share Repurchase Mandate period. No purchase would be made in circumstances that would have a material adverse impact on the working capital position or the gearing position of the Company (as compared with the position disclosed in the latest published audited financial statements).

4. SHARE PRICES

The highest and lowest market prices at which the Shares have traded on the Stock Exchange in each of the twelve months preceding the Latest Practicable Date are as follows:–

	Shares	
	Highest	Lowest
	<i>(HK\$)</i>	<i>(HK\$)</i>
2011		
March	1.650	1.380
April	1.750	1.000
May	1.520	1.470
June	1.600	1.430
July	1.500	1.380
August	1.380	1.010
September	1.200	0.810
October	1.850	1.150
November	1.890	1.540
December	1.920	1.860
2012		
January	1.950	1.850
February	1.880	1.580
March (up to the latest practicable date)	1.880	1.660

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange, so far as the same may be applicable, to exercise the power of the Company to repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), have any present intention, if the Share Repurchase Mandate is approved, to sell any Shares to the Company or its subsidiaries.

No connected persons of the Company (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, if the Share Repurchase Mandate is approved by Shareholders.

6. TAKEOVER CODE

If as a result of a share repurchase a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Rule 32 of the Takeover Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeover Code) depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code as a result of such increase.

As at the Latest Practicable Date, according to the Register kept by the Company pursuant to Section 336 of the SFO, Smart Forest Limited controlled approximately 73.45% of the entire issued share capital of the Company. On the basis that the issued share capital of the Company remains unchanged up to the date of the AGM, if the Repurchase Mandate is exercised in full, the controlling interests of Smart Forest Limited in the Company will increase to approximately 81.61% of the issued capital of the Company. The Directors are not aware of any Shareholders or group of Shareholders acting in concert who will become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code as a result of repurchase of Shares. The Directors will also have no present intention to exercise the power to repurchase shares on the Stock Exchange pursuant to the repurchase Mandate to such an extent as to result in the number of Shares held by the public falling below 25%.

7. REPURCHASES OF SHARES MADE BY THE COMPANY

No repurchases of Shares have been made by the Company (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

This Appendix set out further information of the 2012 Share Option Scheme and also summarises the rules of the 2012 Share Option Scheme but does not form part of nor is it intended to be, part of the 2012 Share Option Scheme.

1. PURPOSE

The purpose of the 2012 Share Option Scheme is to enable the Company to grant options to selected Eligible Participants as incentives and rewards for their contribution to the Company or its subsidiaries.

2. WHO MAY JOIN

The Board may, at its discretion, offer Eligible Participants options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below.

3. MAXIMUM NUMBER OF SHARES

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10 per cent. of the Shares in issue ("2012 Scheme Limit") as at the date approving the adoption of 2012 Share Option Scheme in the AGM. Options lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10 per cent. limit.

The Company shall seek the approval of the Shareholders in general meeting for refreshing the 2012 Scheme Limit provided that such limit as refreshed shall not exceed 10 per cent. of the Shares in issue as at the date of such Shareholders' approval. Options previously granted under any share options schemes of the Company (including those outstanding, cancelled and lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

The Company shall seek separate approval of the Shareholders in general meeting for granting Options beyond the 2012 Scheme Limit, provided that the Options in excess of the 2012 Scheme Limit are granted only to Eligible Participants specifically identified by the Board before such Shareholders' approval is sought. The Company shall send a circular to the Shareholders containing the information required by the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30 per cent. of the Shares in issue from time to time. No options may be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30 per cent. limit being exceeded.

4. MAXIMUM NUMBER OF SHARES TO ANY ONE INDIVIDUAL

The maximum number of Shares which may be fall to be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option scheme(s) of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1 per cent. of the Shares in issue as at the date of grant.

Any further grant of options in excess of this 1 per cent. limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his Associates abstaining from voting.

5. EXERCISE PRICE

The exercise price for a Share in respect of any particular option granted under the 2012 Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the 5 Business Days immediately preceding the date of offer; and (c) the nominal value of a Share.

6. GRANTING OPTIONS TO CONNECTED PERSONS

Any grant of Options to a Director, chief executive or substantial Shareholder of the Company or any of his or her Associates such grant is required to be approved by the independent non-executive Directors of the Company (excluding an independent non-executive Directors of the Company who is the Grantee of the options).

If the Company proposes to grant to a substantial Shareholder (as defined in the Listing Rules) of the Company or any the independent non-executive Director or their respective Associates which result in the number of Shares issued and to be issued upon exercise of options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under this Scheme and the other schemes in the 12-month period up to and including the date of offer of such grant:

- (a) representing in aggregate over 0.1 per cent. of the Shares in issue on the date of offer; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on each date of offer, in excess of HK\$5 million,

such further grant of options shall be subject to the approval of the Shareholders of the Company in general meeting. The Company shall send a circular to the Shareholders in accordance with Rules 17.04 and 17.06 of the Listing Rules. All Connected Persons of the Company shall abstain from voting in favour at such general meeting. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed options to that Eligible Participant shall be taken as the date of offer for the purpose of calculating the exercise price.

7. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

The Board may not grant any Option after a price-sensitive event has occurred or a price-sensitive matter has been the subject of a decision, until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Options may be granted during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year or half-year or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

The Board may not grant any Option to a director of the Company during the periods or times in which a Directors is prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any other code or securities dealing restrictions adopted by the Company.

8. RIGHTS ARE PERSONAL TO GRANTEE

An option is personal to the Grantee and the Grantee may not in any way, sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt to do so.

9. TIME OF EXERCISE OF OPTION

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. An offer for the grant of options must be accepted within 28 days after the option is offered to the relevant Grantee. The amount payable to the Company on acceptance of the offer of the grant of an option is HK\$1.00. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

Subject to early termination by the Company in general meeting or by the Board, the 2012 Share Option Scheme will be valid and effective for a period of 10 years after the date of adoption of the 2012 Share Option Scheme by the Shareholders.

10. PERFORMANCE TARGET

The Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the 2012 Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the 2012 Share Option Scheme.

11. RIGHTS ON CEASING TO BE AN ELIGIBLE PARTICIPANT AND DEATH

- (a) In the event of the Grantee ceasing to be an Eligible Participant for any reason other than his or her death or termination of his or her relationship with the Company and/or any of its subsidiaries on any one or more of the grounds specified in paragraph 12 below, the Grantee may exercise the option up to his or her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within one month following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his or her employment with the Company or any of the subsidiaries, the last actual working day with the Company or the relevant Subsidiaries whether salary is paid in lieu of notice or not).
- (b) in the case of the Grantee ceasing to be an Eligible Participant by reason of death and none of the events which would be a ground for termination of his or her relationship with the Company and/or any of the subsidiaries under paragraph 12 below arises, the legal representative(s) of the Grantee shall be entitled within a period of 12 months or such longer period as the Board may determine from the date of death to exercise the option in full (to the extent not already exercised).

12. LAPSE OF OPTION ON MISCONDUCT, BANKRUPTCY OR DISMISSAL ETC.

If the Grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of the subsidiaries on any one or more of the following grounds that:

- (a) he or she has been guilty of serious misconduct, or
- (b) he or she has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or
- (c) he or she has been convicted of any criminal offence involving his or her integrity or honesty or in relation to an employee of the Company and/or any of the Subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant Subsidiary,

his or her option will lapse and not be exercisable on the date of termination of his or her relationship with the Company and/or any of its subsidiaries.

13. RIGHTS ON TAKEOVER

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Grantee (or his or her legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

14. RIGHTS ON SCHEME OF ARRANGEMENT FOR THE COMPANY

Subject to the periods specified in paragraph 11, if a general offer by way of a scheme of arrangement is made to all the holders of Shares and the scheme has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his or her legal personal representatives) may, thereafter (but before such time as shall be notified by the Company and in any case, before the scheme becomes effective) exercise the option to its full extent or to the extent specified in such notice.

15. RIGHTS ON WINDING-UP

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it gives notice of the meeting to its Shareholders and any Grantee (or his or her legal personal representatives) may by notice in writing to the Company accompanied by a remittance of the full amount of the aggregate exercise price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two Business Days prior to the proposed Shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the option credited as fully paid and register the Grantee as holder thereof.

16. LAPSE OF THE OPTIONS

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:–

- (a) the expiry date relevant to that option;
- (b) the expiry of any of the periods referred to in paragraphs 11, 13 and 14 above;
- (c) the date on which the scheme of arrangement of the Company referred to in paragraph 14 above becomes effective;
- (d) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law);
- (e) the date on which the Grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of the subsidiaries on any one or more of the grounds specified in paragraph 12 above. A resolution of the Board or the board of Directors of the relevant subsidiary to the effect that the relationship of a Grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive; or
- (f) the date on which the Board shall exercise the Company's right to cancel the option at any time after the Grantee commits a breach specified in paragraph 8 above.

17. RANKING OF SHARES

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of Grantee (or such other person nominated by the Grantee) as the holder thereof. Subject to the aforesaid, the Shares to be allotted upon the exercise of options will rank *pari passu* with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

18. EFFECT OF ALTERATIONS TO CAPITAL

In the event of any capitalization issue, rights issue, sub-division, consolidation of Shares, or reduction of capital of the Company whilst any option may become or remain exercisable, such corresponding alterations (if any) shall be made in:

- (a) the number of Shares subject to any outstanding options;
- (b) the exercise price of each outstanding option; and/or
- (c) the 2012 Scheme Limit in paragraph 3 above,

as the auditors of the Company or the approved independent financial adviser shall at the request of the Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a Grantee shall have the same proportion of the equity capital of the Company as that to which he or she was entitled to subscribe had he or she exercised all the options held by him or her immediately before such adjustments and the aggregate exercise price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

19. ALTERATION OF SHARE OPTION SCHEME

The 2012 Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the Grantees or Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (b) any alteration to the terms and conditions of the 2012 Share Option Scheme which are of a material nature or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the 2012 Share Option Scheme),

shall be made with the prior approval of the Shareholders in general meeting.

The amended terms of this Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the 2012 Share Option Scheme must be approved by Shareholders in general meeting.

20. CANCELLATION OF OPTIONS

The Company may not cancel any options granted but not exercised and issue new options to the same Grantee, unless the issue of such new Options is made under the 2012 Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders of the Company referred to in paragraph 3 above.

21. TERMINATION OF SHARE OPTION SCHEME

The Company by resolution in general meeting or the Board may before its expiry at any time resolve to terminate the operation of the 2012 Share Option Scheme and in such event no further options shall be offered but the provisions of the 2012 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the 2012 Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the 2012 Share Option Scheme.

APPENDIX 3

DETAILS OF THE AMENDMENTS
TO THE BYE-LAWS

This Appendix set out the existing Bye-laws and the proposed amendments to the Bye-Laws for ease of reference:

Bye-law No.	Existing Bye-Laws	Bye-law No.	Proposed Bye-Laws
	Nil	41(D)	Notwithstanding the provisions of Bye-law 41 (A) to (C) above, any shares or securities which are listed on a Designated Stock Exchange may be transferred in accordance with the rules and regulations of that Designated Stock Exchange.
	44(iii) if applicable, the instrument of transfer is properly stamped; and	44(iii)	if applicable, the instrument of transfer is properly stamped or in the case of an electronic share transfer the Company is provided with evidence that the proper stamp duty in relation to the transfer has been paid; and
56	The company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meetings as such in the notice calling it and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next (save and except for the annual general meeting for 1999). The annual general meeting shall be held at such time and place as the Directors shall appoint. All general meetings other than annual general meetings shall be called special general meetings.	56	(A) Subject to Bye-law 56(B) below, the Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meetings as such in the notice calling it and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next (save and except for the annual general meeting for 1999). The annual general meeting shall be held at such time and place as the Directors shall appoint. All general

meetings other than annual general meetings shall be called special general meetings.

(B) The Company may, by resolution of the Company in general meeting, elect to dispense with the holding of annual general meetings (i) for the year in which it is made and any subsequent year or years, (ii) for a specified number of years, or (iii) indefinitely and such election shall be subject to the provisions of the Act.

66 The Chairman or, in his absence, the Deputy Chairman, if any, shall preside as chairman at every general meeting of the Company.

67 If at any meeting neither the Chairman nor the Deputy Chairman is present within 15 minutes after the time appointed for holding the meeting or is willing to act as chairman, the Directors present shall choose one of their number as chairman and if only one Director shall be present he shall, if willing to act, preside as chairman. If no Director shall be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the members present shall choose one of their own number to be the chairman.

66 The Chairman shall preside as chairman at every general meeting of the Company.

67 If at any meeting the Chairman is not present within 15 minutes after the time appointed for holding the meeting or is willing to act as chairman, the Directors present shall choose one of their number as chairman and if only one Director shall be present he shall, if willing to act, preside as chairman. If no Director shall be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the members present shall choose one of their own number to be the chairman.

- 69

At any general meeting a resolution put to the vote at the meeting shall be decided on a poll.
- 69

(i)

At any general meeting a resolution put to the vote at the meeting shall be decided by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. For the purpose of this Bye-Law, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular to shareholders; and (ii) relate to the chairman’s duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all shareholders a reasonable opportunity to express their views.

(ii)

Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

(a)

at least 3 members present in person or by proxy or authorized representative for the time being entitled to vote at the meeting;
- 30 –

- (b) any member or members present in person or by proxy or authorized representative and holding between them not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or

- (c) any member or members present in person or by proxy or authorized representative and holding shares in the Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person or by proxy for a member or in the case of a member being a corporation by its duly authorized representative shall be deemed to be the same as a demand by the member.

Nil	69A	Where a resolution is voted on by a show of hands, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.
Nil	69B	The result of the poll shall be deemed to be the resolution of the meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.
74	74	<p>Subject to any rights or restrictions for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person or by proxy or by authorised representative shall have one vote for each share of which he is the holder and which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purpose of this Bye-Law as paid up on the share). A person entitled to cast more than one vote upon a poll need not use all his votes or cast all the votes he uses in the same way.</p> <p>Subject to any rights or restrictions for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member present in person or by proxy or authorised representative shall have one vote, and on a poll every member present in person or by proxy or by authorised representative shall have one vote for each share of which he is the holder and which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purpose of this Bye-Law as paid up on the share). A person entitled to cast more than one vote upon a poll need not use all his votes or cast all the votes he uses in the same way.</p>

- 89

No person, other than a retiring Director, shall unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing by some member (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company at least 7 days before the date of the general meeting appointed for such election. The period for lodgment of the notice required under this Bye-Law shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.
- 102

Unless otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be less than 2 and more than 20 provided that the minimum number of Directors shall never be less than 2.
- 89

No person, other than a retiring Director, shall unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing by any 2 or more shareholders entitled to attend and vote at the meeting holding at the date of the deposit of the notice in aggregate not less than one-tenth of such of the paid up capital of the Company (not being the person to be proposed) for which such notice is given of his intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company at least 7 days before the date of the general meeting appointed for such election. The period for lodgment of the notice required under this Bye-Law shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.
- 102

Unless otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be less than 2 and more than 20.

- 107

The Directors shall as soon as possible after the statutory meeting and after each annual general meeting elect one of their number to be the Chairman and another of their number to be the Deputy Chairman. In addition, the Directors may from time to time appoint one or more of their body to the office of Managing Director, Joint Managing Director, Deputy Managing Director or other Executive Director, General Manager, Joint General Manager and/or such other office in the management or business of the Company on such terms and for such period as they may determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.
- 107

The Directors shall as soon as possible after the statutory meeting and after each annual general meeting elect one of their number to be the Chairman. In addition, the Directors may from time to time appoint one or more of their body to the office of Managing Director, Joint Managing Director, Deputy Managing Director or other Executive Director, General Manager, Joint General Manager and/or such other office in the management or business of the Company on such terms and for such period as they may determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.
- 112(E)

Where arrangements are under consideration concerning the appointment (including the arrangement or variation of the terms thereof, or the termination thereof) of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director and in such case each of the Directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment (or the arrangement or variation of the terms thereof, or the termination thereof) and except (in the case of an office or place of profit with any such other company as aforesaid) where the other company is a company in which the Director together with any of his associates owns 5 per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights of any class of shares of such company.
- 112(E)

Delete

112(H)(iii)	any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;	112(H)(iii)	Delete
112(I)	A company shall be deemed to be a company in which a Director together with any of his associates owns five (5) per cent. Or more of the issued shares of any class of the equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he together with his associates is (either directly or indirectly) the holder of or beneficially interested in five (5) per cent. Or more of any class of the equity share capital of such company (or of any third company through which the interest of the Director or that of his associates is derived) or of the voting rights of any class of shares available to shareholders of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director as bare or any of his associates or custodian trustee and in which he and his associates have no beneficial interest, any shares comprised in a trust in which the interest of the Director or that of his associates is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an Authorized unit trust scheme in which the Director or any of his associates is interested only as a unit holder.	112(I)	Delete

112(J) Where a company in which a Director together with any of his associates holds five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights of any class of shares available to shareholders of the company is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

113 The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes and in the case of an equality of votes the chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors. Notice thereof shall be given to each Director and alternate Director either in writing or by telephone or by telex or telegram at the address from time to time notified to the Company by such Director or alternate Director or in such other manner as the Directors may from time to time determine provided that notice need not be given to any Director or alternate Director for the time being absent from Hong Kong. A Director may waive notice of any meeting either prospectively or retrospectively. A meeting of the Directors or a committee of Directors may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

112(J) Delete

113 The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes and in the case of an equality of votes the chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors. Notice thereof shall be given to each Director and alternate Director in writing or by telex or telegram or via electronic mail at the address/email address from time to time notified to the Company by such Director or alternate Director or verbally (including in person or by telephone) or in such other manner as the Directors may from time to time determine provided that notice need not be given to any Director or alternate Director for the time being absent from Hong Kong. A Director may waive notice of any meeting either prospectively or retrospectively. A meeting of the Directors or a committee of Directors may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

118	The Chairman or, in his absence, the Deputy Chairman, shall preside as chairman at meetings of Directors. If at any meeting neither the Chairman nor the Deputy Chairman is present within 5 minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be chairman of the meeting.	118	The Chairman shall preside as chairman at meetings of Directors. If at any meeting neither the Chairman nor the Deputy Chairman is present within 5 minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be chairman of the meeting.
160	Auditors shall be appointed and their duties regulated in accordance with the Bye-Laws and the provisions of the Act.	160	Auditors shall be appointed and removed and their duties regulated in accordance with the Bye-Laws, the Listing Rules and the provisions of the Act. The Directors shall have power to fill any casual vacancy before the end of their period of office and fix the remuneration of the Auditors so appointed.
163(A)(2)	Any notice or document (including any Corporate Communication or a share certificate) may be served on or delivered to any member of the Company either (1) personally or (2) by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the register or by leaving it at that address addressed to the member or (3) as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for giving of notice or document to him or which the person transmitting the notice or document reasonably and	163(A)(2)	Any notice or document (including any Corporate Communication or a share certificate) may be served on or delivered to any member of the Company either (1) personally or (2) by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the register or by leaving it at that address addressed to the member or (3) as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for giving of notice or document to him or which the person transmitting the

bona fide believes at the relevant time will result in such notice or document being duly received by the member (4) or by publishing it by way of advertisement in appointed newspapers (as defined in the Act) or the newspapers in accordance with the requirements of the Designated Stock Exchange or (5) by any other means authorised in writing by the member concerned. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the Statutes and any rules and regulations prescribed by the Designated Stock Exchange from time to time, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a computer network and notifying the member concerned (a “notice of availability”), in such manner as he may from time to time authorise, that it has been so published.

notice or document reasonably and bona fide believes at the relevant time will result in such notice or document being duly received by the member or (4) by publishing it by way of advertisement in the newspapers, or (5) by placing it on the Designated Stock Exchange’s website or the Company’s website and giving to the member a notice stating that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the member by any of the means set out above other than by posting it on a website. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Notwithstanding the foregoing, the Company may deem consent on the part of a member to a corporate communication being made available to him on the Company’s website if such deemed consent is permitted by the Listing Rules.

- 164

Any notice or other document (including any Corporate Communication or a share certificate), if sent by mail, postage prepaid, shall be deemed to have been served or delivered on the day following that on which the letter, envelope, or wrapper containing the same is put into the post. In proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice or document was properly addressed and put into the post as prepaid mail. Any notice or document not sent by post but left by the Company at a registered address shall be deemed to have been served or delivered on the day it was so left. Any notice or document, if sent by electronic means (including through any relevant system), shall be deemed to be have been given on the day following that on which the electronic communication was sent by or on behalf of the Company. Any notice or document served or delivered by the Company by any other means authorised in writing by the member concerned shall be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose. Any notice or other document published by way of advertisement shall be deemed to have been served or delivered on the day it was so published. Any notice or other document published on a computer network shall be deemed to have been served or delivered to a member on a day following that on which a notice of availability is deemed to have been given to the member.
- 164

Any notice or other document (including any Corporate Communication or a share certificate):

(A)

if sent by mail, postage prepaid, shall be deemed to have been served or delivered on the day following that on which the letter, envelope, or wrapper containing the same is put into the post. In proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice or document was properly addressed and put into the post as prepaid mail;

(B)

if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company’s website or the website of the Designated Stock Exchange, is deemed given by the Company to a member on the day following that on which a notice of availability is deemed served on the member;

(C)

if served by advertisement, shall be deemed to have been served on the day of issue of the official publication and/or newspapers in which the advertisement is published;

- (D) if served or delivered in any other manner contemplated by these Articles, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and

- (E) may be given to a member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.

This Appendix set out the details of directors who will retire at the conclusion of the AGM and will be proposed to be re-elected at AGM of the Company

Mr. Yu Sui Chuen, aged 56

Mr. Yu was appointed executive director of the Company in September 2000. He is currently responsible for corporate finance, legal and taxation management of the Group. Mr. Yu holds a Higher Diploma in Business Administration major in Accounting. Mr. Yu has over 31 years' experience in finance management and administration of which nearly 10 years as a member of the management committee of a listed company. He holds approximately 0.79% interest in the issued share capital of the Company (668,000 ordinary shares interest and 5,000,000 underlying shares derived from the share option granted) as at the latest practicable date.

There is a service contract entered into between the Company and of Mr. Yu commencing from 8th September, 2000, which will continue thereafter unless terminated by not less than six months' notice in writing served by either party on the other. Mr. Yu will be entitled to emoluments as determined by the Board (except determining his own remuneration) and/or the remuneration committee subject to the authorization granted by the Shareholders in the general meeting of the Company from time to time, currently being HK\$1,306,000 (including salary and contribution to MPFS and other benefits) for the year 2011.

Mr. Yu is also a director of some of the Company's subsidiaries. Save as disclosed above, he does not (i) hold other positions with the Company and other members of the Group; (ii) have any directorship in any public listed companies of which are listed on any securities market in Hong Kong or overseas in the past three years; (iii) have other major appointments and professional qualifications; (iv) have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (v) have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there is no information to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules nor is other matters that need to be brought to the attention of the shareholders of the Company.

Mr. Leung Hong Tai, aged 55

Mr. Leung (former name known as Leung Mang Pong) was appointed executive director of the Company in November 2009. He holds a Bachelor of Science Degree in Electronics and a Master of Science Degree in Digital Communication from University of Kent, England. He is a full member of Hong Kong Computer Society. He has over 22 years' experience in electronic and computing related subjects such as electronic hardware design, electronic printed circuit board development and production, LED and semi-conductor assembling machinery, information system development and implementation, computer networking, information security, equipment dimensioning and communication. His experience ranges from design, development to production of the electronic or toy related products. He joined the Group in 2003 and is currently responsible for the electronic design, development and production of the electronic related products. Mr. Leung holds approximately 1.26% interest in the issued share capital of the Company (He holds 594,000 ordinary share interest of the Company; his wife, Mrs. Leung Ip Yi Mei holds 3,448,000 ordinary shares interest; and 5,000,000 underlying shares derived from the share option granted) as at the latest practicable date.

There is no service agreement entered into between the Company and Mr. Leung in respect of his appointment as executive director of the Company. Mr. Leung will have no fixed term of service with the Company for being as executive director of the Company. Mr. Leung is entitled to receive under his current employment contracts with the Company's overseas subsidiary for being technology-in-charge currently being HK\$1,032,000 (including salary and other benefits) for the year 2011. His emolument would be determined by the Board (except determining his own remuneration) and/or the remuneration committee subject to the authorization granted by the Shareholders in the general meeting of the Company from time to time.

Mr. Leung is also a director of one of the subsidiaries of the Company. Save as disclosed above, he does not (i) hold other positions with the Company and other members of the Group; (ii) have any directorship in any public listed companies of which are listed on any securities market in Hong Kong or overseas in the past three years; (iii) have other major appointments and professional qualifications; (iv) have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (v) have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there is no information to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules nor is other matters that need to be brought to the attention of the shareholders of the Company.

Mr. Tse Kam Wah, aged 61

Mr. Tse was appointed executive director of the Company in November 2009. He obtained a higher certificate in mechanical engineering from The Hong Kong Polytechnic University. He has over 24 years' experience in toy factory and production management. His experience ranges from managing all manufacturing activities of the corporations in the base outside Hong Kong, monitoring manufacturing process to product development. He joined the Group over 13 years and is currently responsible for the production management. Mr. Tse holds approximately 0.60% interest in the issued share capital of the Company (1,280,000 ordinary shares interest and 3,000,000 underlying shares interest derived from the share option granted)

There was no service agreement between the Company and Mr. Tse in respect of his appointment as executive director of the Company. Mr. Tse will have no fixed term of service with the Company. Mr. Tse is entitled to receive under his current employment contracts with the Company's overseas subsidiaries for being manufacturing-in-charge and marketing manager (2 year term's contract) currently being HK\$1,032,000 (including salary and other benefits) for the year 2011. His emolument would be determined by the Board (except determining his own remuneration) and/or the remuneration committee subject to the authorization granted by the Shareholders in the general meeting of the Company from time to time.

Save as disclosed above, he does not (i) hold other positions with the Company and other members of the Group; (ii) have any directorship in any public listed companies of which are listed on any securities market in Hong Kong or overseas in the past three years; (iii) have other major appointments and professional qualifications; (iv) have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (v) have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there is no information to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules nor is other matters that need to be brought to the attention of the shareholders of the Company.

Dr. Loke Yu alias Loke Hoi Lam, aged 62

Dr. Loke was appointed an independent non-executive director of the Company in September 2004 and is also the chairman of the audit committee and remuneration committee of the Company. He has over 36 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate member of The Hong Kong Institute of Chartered Secretaries. He is currently the company secretary of Minth Group Limited and serves as an independent non-executive director of Vodone Limited, Bio-Dynamic Group Limited, China Fire Safety Enterprise Group Limited, Winfair Investment Company Limited, Scud Group Limited, Zhong An Real Estate Limited and Chiho-Tiande Group Limited, companies listed on The Stock Exchange of Hong Kong Limited. He holds approximately 0.04% interest in the issued share capital of the Company (these 300,000 underlying shares in derived from the share option granted) as at the latest practicable date.

There is no service agreement entered into between the Company and of Dr. Loke. The appointment of Dr. Loke has no fixed term, but his term of office is subject to retirement by rotation and re-election in accordance with the Company's Bye-Laws. Dr. Loke will be entitled to emoluments as determined by the Board (except determining his own remuneration) from time to time subject to the authorization granted by the Shareholders in the general meeting of the Company, currently being HK\$80,000 as director's fee plus the value of HK\$260,000 in respect of the said underlying shares derived from the share option grant for the year 2011.

Save as disclosed above, he does not (i) hold other positions with the Company and other members of the Group; (ii) have any directorship in any public listed companies of which are listed on any securities market in Hong Kong or overseas in the past three years; (iii) have other major appointments and professional qualifications; (iv) have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (v) have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there is no information to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules nor is other matters that need to be brought to the attention of the shareholders of the Company.