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If you have sold or transferred all your shares in Matrix Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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MATRIX
MATRIX HOLDINGS LIMITED
美力時集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1005)

**MAJOR ACQUISITION IN RELATION TO
THE RIGHT TO PURCHASE OF RESIDENTIAL PROPERTIES**

Financial adviser to the Company



* For identification purposes only

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DEFINITION

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

“Acquired Properties”	the Parking Spaces and certain properties of the Residential Properties to be acquired by the Vendor or its nominees by exercising the Right to Purchase under the Sale and Purchase Agreement;
“Announcement”	the announcement of the Company dated 18 June 2015 in respect of the Disposal and the Right to Purchase;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Matrix Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Disposal;
“Completion Date”	2 July 2015;
“Conditions Precedent”	the conditions precedent for Completion as set out under the Sale and Purchase Agreement;
“connected persons”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration to be paid by the Purchaser to the Vendor for the Disposal;
“Deeds of Guarantee”	the deeds of guarantee executed by each of the Guarantors in favour of the Vendor, whereby the Guarantors undertake to the Vendor that the Purchaser shall perform the Sale and Purchase Agreement;
“deliver the Acquired Properties”	delivery of the Acquired Properties by the Purchaser to the Vendor or its nominees (including obtaining all the documents for final acceptance of construction* (竣工驗收文件), issuing of notice of completion* (入伙通知書) and delivery of the Acquired Properties;

DEFINITION

“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the entire share equity in the Target Company by the Vendor to the Purchaser pursuant to the terms and subject to the conditions set out in the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries;
“Guarantors”	Mr. Lin Youwu, Mr. Rong Shaoqun, and Shenzhen Broad Link Group Limited* (深圳博林集團有限公司);
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	21 July 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 August 2015, or any other date as agreed by the parties to the Sale and Purchase Agreement in writing;
“Open for Sale”	the Purchaser obtaining the sale permit in relation to the Residential Properties from the relevant authorities in the region in which the Residential Properties are located;
“Parking Space”	115 parking spaces in the Residential Properties;
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Property”	a parcel of land located at Shenzhen, Guangdong Province, PRC (中國廣東省深圳市) with an aggregate area of approximately 10,849.1 sq.m. together with the factories and other structures erected thereon;

DEFINITION

“Purchaser”	Shenzhen Shouxi Property Investment Development Company Limited* (深圳市首席置業投資發展有限公司), a company incorporated in the PRC with limited liability;
“Residential Properties”	the residential properties which the Purchaser intends to develop on the Property after Completion;
“RMB”	Renminbi, the lawful currency of the PRC;
“Right to Purchase”	the Vendor’s (or its nominees’) right to purchase certain Residential Properties under the Sale and Purchase Agreement and the Undertaking Letter in satisfaction of part of the Consideration;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 June 2015 entered into between the Vendor and the Purchaser in relation to the disposal of entire equity interest in the Target Company;
“Sale Shares”	10,000 ordinary shares of the Target Company, being the entire issued share equity interest of the Target Company before Completion;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong);
“Share(s)”	ordinary share of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares of the Company;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Shelcore Hong Kong Limited, a company incorporated in Hong Kong with limited liability and directly wholly-owned by the Vendor before Completion;

DEFINITION

“Undertaking Letter”	the undertaking letter dated 18 June 2015 executed by the Purchaser in favour of Vendor for the Purchaser’s obligations under the Sale and Purchase Agreement with regards to, <i>inter alia</i> , the payment of the Consideration, which is an appendix to the Sale and Purchase Agreement and forms a part thereof;
“Vendor”	Assetnet Limited, a company incorporated in the British Virgin Islands and indirectly wholly-owned by the Company;
“%”	per cent.

For the purpose of this circular, unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.24. The exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rate or at all.

* *All the English translation of certain Chinese names or words in this circular is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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)

Executive Directors:

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

Independent non-executive Directors:

Dr. Loke Yu alias Loke Hoi Lam
Mr. Mak Shiu Chung, Godfrey
Mr. Wan Hing Pui
Mr. Heng Victor Ja Wei

Registered office:

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Hong Kong

24 July 2015

To the Shareholders

Dear Sir or Madam,

MAJOR ACQUISITION IN RELATION TO THE RIGHT TO PURCHASE OF RESIDENTIAL PROPERTIES

INTRODUCTION

Reference is made to the Announcement in relation to the Disposal and the Right to Purchase of Residential Properties. On 18 June 2015 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire, the Sale Shares (being the entire issued share capital of the Target Company) at the total consideration of RMB272,000,000 (equivalent to approximately HK\$337,280,000).

LETTER FROM THE BOARD

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the exercise of the Right to Purchase exceeds 25% but none of which exceeds 100%, the exercise of the Right to Purchase will constitute a major transaction for the Company.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Sale and Purchase Agreement and the transaction contemplated thereunder, including the Right to Purchase; (ii) a valuation report on the Property; and (iii) other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

18 June 2015 (after trading hours)

Parties

- (1) Vendor: Assetnet Limited
- (2) Purchaser: Shenzhen Shouxi Property Investment Development Company Limited* (深圳市首席置業投資發展有限公司)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser, the Guarantors and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons and no Shareholder has a material interest in either the Sale and Purchase Agreement or the exercise of the Right to Purchase under the Listing Rules.

Subject Matter

The Sale Shares, representing the entire share equity interest in the Target Company, will be disposed of in consideration of a one-off cash payment to the Vendor by the Purchaser and the Right to Purchase being granted in favour of the Vendor by the Purchaser.

The Right to Purchase granted to the Vendor by the Purchaser is considered as an acquisition of assets by the Company, as the Directors are of the opinion that the Vendor will very likely exercise the Right to Purchase and based on the currently available information, the Vendor is not aware of any circumstances that will cause it not to exercise such Right to Purchase if the Purchaser shall complete the development of the Residential Properties within the prescribed time in accordance with the Sale and Purchase Agreement. Details of the Right to Purchase are set out below in the paragraph headed "The Right to Purchase".

LETTER FROM THE BOARD

Consideration and payment terms

The aggregate Consideration payable by the Purchaser to the Vendor for the Disposal in the amount of RMB272,000,000 (equivalent to approximately HK\$337,280,000) will be settled in the following manner:–

- (A) upon signing of the Sale and Purchase Agreement, the Purchaser shall pay RMB40,000,000 (equivalent to approximately HK\$49,600,000) in cash (the “**Part of Consideration**”) to the Vendor; and
- (B) as to the remaining balance of the Consideration in the amount of RMB232,000,000 (equivalent to approximately HK\$287,680,000), the Vendor or its nominees shall, in accordance with the terms of the Sale and Purchase Agreement and the Undertaking Letter, have the right to purchase certain Residential Properties at the fixed price of RMB19,500 per sq.m. (the “**Fixed Price**”), which was determined by the parties to the Sale and Purchase Agreement after arm’s length negotiations with reference to current market price of the Residential Properties in the vicinity of the Property for the purpose of calculating the approximate area of Residential Properties the Vendor will be able to acquire only, within one year from the Open for Sale of the Residential Properties (the “**Right to Purchase**”) up to a price not more than RMB232,000,000 (as such, the Right to Purchase, subject to the price mechanism set out below in the paragraph headed “The Right to Purchase”, will entitle the Vendor to acquire Residential Properties of an area of approximately 11,897.44 sq.m. which is derived from dividing RMB232,000,000 by the Fixed Price). In the event that the Purchaser shall fail to deliver the Acquired Properties under the Right to Purchase within 6 years from the date of the Sale and Purchase Agreement, the Purchaser shall pay to the Vendor or its nominees RMB232,000,000 in cash forthwith plus interest accruing thereon from the date of the Sale and Purchase Agreement to the date of payment at the rate prescribed by the People’s Bank of China during the same period and compensate the Vendor or its nominees for the economic loss resulting from the failure to deliver the properties under the Right to Purchase. The details of the Right to Purchase are set out in the paragraph headed “The Right to Purchase” below.

The Consideration was agreed between the Purchaser and the Vendor after arm’s length negotiations and was determined with reference to (i) a valuation of the Property conducted by RHL Appraisal Ltd., an independent valuer (the “**Valuer**”) based on the depreciated replacement costs method in which the land portion was valued based on the market approach of approximately RMB30,600,000 (equivalent to approximately HK\$37,944,000) as at 31 May 2015. Please refer to Appendix II for the valuation report on the Property; and (ii) the Right to Purchase certain units of the Residential Properties to be developed by the Purchaser after Completion. As at 31 December 2014, the carrying value of the Property with cost model was HK\$15,626,000.

LETTER FROM THE BOARD

The aggregate consideration in the amount of RMB272,000,000 (including the value of the Right to Purchase) was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to the market value of the Property and the anticipated value of the Residential Properties (on the assumption that the then market value per sq.m. of the Residential Properties to be at similar level as at the Latest Practicable Date) after Open for Sale following the change of land use from industrial to residential purpose of the Property based on the Fixed Price. The Fixed Price was also determined by the parties to the Sale and Purchase Agreement after arm's length negotiations with reference to the current market price of the comparable residential properties located at the Longang District of Shenzhen.

Having taken into account the above factors, the Directors consider that the Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

On the date of the signing of the Sale and Purchase Agreement, the Part of Consideration has been duly paid to the Vendor by the Purchaser.

Conditions Precedent

Under the Sale and Purchase Agreement, Completion is conditional upon the fulfillment of the following Conditions Precedent:

- (A) the obtaining of PRC legal opinion (in form and substance satisfactory to the Vendor, acting reasonably) from the PRC legal adviser of the Company or the Vendor in relation to, *inter alia*, the implications of PRC laws and regulations on the transaction contemplated under the Sale and Purchase Agreement, the obligations of the Vendor, the Undertaking Letter, the Property and the due diligence on the Purchaser and the Guarantors;
- (B) the delivery of the Deeds of Guarantee (in form and substance satisfactory to the Vendor) duly executed by the Guarantors to the Vendor;
- (C) the delivery to the Vendor the duly executed Undertaking Letter for the Purchaser's obligations under the Sale and Purchase Agreement; and
- (D) the obtaining of all consents and approvals necessary for the Sale and Purchase Agreement and the transfer of the Sale Shares thereunder, including but not limited to the Purchaser obtaining the necessary approval from the relevant governmental authorities and the Vendor obtaining approval from the Shareholders in accordance with the Listing Rules (if applicable).

LETTER FROM THE BOARD

None of the above conditions can be waived. Completion shall take place on the third business day following the fulfillment of all the Conditions Precedent. In the event that the Conditions Precedent are not satisfied on or before the Long Stop Date, the Vendor shall refund the Part of Consideration without paying any interest and return the duly executed Undertaking Letter to the Purchaser within 10 days thereafter and the Sale and Purchase Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other save for the claims arising out of any antecedent breach of the Sale and Purchase Agreement.

All the conditions above have been fulfilled and the Disposal was completed on the Completion Date.

Deeds of Guarantee

As one of the Conditions Precedent, each of the Guarantors has executed a Deed of Guarantee in favour of the Vendor. Under the Deeds of Guarantee, each Guarantor irrevocably undertakes to the Vendor on a joint and several basis that the Purchaser will fully perform its duties and obligations under the Sale and Purchase Agreement (including without limitation the Purchaser's obligations for the payment of the Consideration), failing which each of the Guarantors shall fully indemnify the Vendor on a joint and several basis.

Fees and expenses arising out of the Sale and Purchase Agreement

Under the Sale and Purchase Agreement, the Vendor and the Purchaser shall bear their own fees and expenses that may arise from the negotiation, drafting and completion of the Sale and Purchase Agreement, and the tax to be incurred when the Vendor exercises the Right to Purchase in connection with the transfer of the Acquired Properties. Yet, any Hong Kong stamp duty incurred by the transfer of the Sale Shares shall be borne by the Vendor and the Purchaser in equal share.

Save as the above, any other fees or expenses, including tax, arising from the transaction contemplated under the Sale and Purchase Agreement shall be borne by the Purchaser. In the event that the Vendor has incurred fees or expenses that should have been borne by the Purchaser, the Purchaser undertakes, under the Sale and Purchase Agreement, to fully indemnify the Vendor for such amount.

LETTER FROM THE BOARD

THE RIGHT TO PURCHASE

With regards to the settlement of the Consideration, the Vendor or its nominees have rights as set out above to purchase certain Residential Properties under the Right to Purchase. The detailed terms of the Right to Purchase are as follows:

- (a) the Vendor or its nominees shall have the Right to Purchase certain Residential Properties at the Fixed Price for an amount up to RMB232,000,000 (equivalent to approximately HK\$287,680,000) within one year from the Open for Sale (which the Purchaser undertakes to take place within 4 years and 6 months from the signing of the Sale and Purchase Agreement);
- (b) save and except in the circumstances where the Vendor or its nominees have failed to exercise the Right to Purchase, if for whatever reason the Purchaser has failed to complete the delivery of the Acquired Properties within 5 years, the Purchaser shall pay to the Vendor or its nominees penalty in the amount RMB10,000,000 plus interest accruing each day thereon from the first day in the fifth anniversary of the Sale and Purchase Agreement to the date of actual payment at the rate prescribed by the People's Bank of China during the same period, which is derived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The cash penalty in the amount of RMB10,000,000 plus interest is payable to the Vendor or its nominees in the event that the Purchaser has failed to deliver the Acquired Properties within 5 years from the date of the Sale and Purchase Agreement. Such amount was determined by the parties to the Sale and Purchase Agreement as part of their commercial bargain; and
- (c) in the event that the Purchaser shall fail to deliver the Acquired Properties under the Right to Purchase to the Vendor or its nominees within 6 years from the date of the Sale and Purchase Agreement, the Purchaser shall pay to the Vendor or its nominees RMB232,000,000 in cash forthwith plus interest accruing thereon from the date of the Sale and Purchase Agreement to the date of payment at the rate prescribed by the People's Bank of China during the same period and compensate the Vendor or its nominees for the economic loss resulting from failure to purchase properties under the Right to Purchase, which is derived at arm's length negotiations between the parties to the Sale and Purchase Agreement. Should the Purchaser fail to make the above payment to the Vendor's designated bank account forthwith, for each day of delay, the Purchaser shall be liable to pay to the Vendor damages calculated at 0.3% of the due and payable amount which is determined by the parties to the Sale and Purchase Agreement based on their commercial decision. The Vendor has the sole discretion to select the abovementioned remedies and/or to enforce the Deeds of Guarantee for the purpose of obtaining full indemnity (the "**Vendor's Remedies**").

LETTER FROM THE BOARD

The Board considers such cash penalties and the manner in which the remaining balance of the Consideration being settled are reasonable and sufficient to safeguard the interests of the Company in the event of a delay or failure by the Purchaser to deliver the Acquired Properties in accordance with the terms of the Sale and Purchase Agreement.

In exercising the Right to Purchase at the Fixed Price, the Vendor or its nominees shall not be required to pay any consideration, except in the circumstances where the average selling price per sq.m. (the “**Average Price**”) of a particular building to be sold (being the average selling price of all units, in terms of gross floor area, of the building where the unit to be purchased by the Vendor or its nominees is located in), which will be determined by the developer of the Residential Properties after Open for Sale, on the Residential Properties is different from the selling price per sq.m. (the “**Selling Price**”) of the particular unit, depending on the Vendor’s preference on the Selling Price, Average Price, the floor, direction of units as quoted by the developer of the Residential Properties (if different from the Purchaser), being purchased by the Vendor or its nominees, in which case any difference in value between the Average Price and the Selling Price (the “**Price Difference**”) shall be settled in a separate manner so as to ensure the interests of either Vendor or Purchaser are protected. The adjustment mechanism is illustrated by the following formulae:–

- (a) Where the Selling Price is higher than the Average Price, using

$$\text{Price Difference} = \text{Selling Price} - \text{Average Price}$$

In this case, the Vendor or its nominees shall settle the Price Difference per sq.m. by cash payable to the Purchaser.

- (b) Where the Average Price is higher than the Selling Price, using:

$$\text{Price Difference} = \text{Average Price} - \text{Selling Price}$$

In this case, the Vendor or its nominees shall request the Purchaser to settle the Price Difference per sq.m. by returning to the Vendor or its nominees with Residential Properties of value equal to the Price Difference. Such manner in which the Price Difference should be settled has been agreed upon by the Vendor and the Purchaser as part of their commercial bargain in negotiating the terms of the Sale and Purchase Agreement. The Board considers that, in any event, the settlement of the Price Difference when the Average Price is higher than the Selling Price by way of returning to the Vendor properties of value equal to the Price Difference is fair and reasonable and in the interests of the Company, for such properties are of equivalent value to the Company, albeit non-cash.

LETTER FROM THE BOARD

Further, if the remaining Right to Purchase is not enough to acquire the Acquired Properties that the Vendor or its nominees intends to acquire, the Vendor or its nominees will pay cash for such outstanding amount (or such outstanding amount can be settled by other means to be mutually agreed by the parties).

For the purpose of this Circular, the “Selling Price” refers to price per sq.m. of the particular unit to be purchased by the Vendor or its nominees in exercising the Right to Purchase, the “Average Price” refers to the average of price per sq.m. of the units in the particular building to be sold by developer of the Residential Properties, and the “Price Difference” is an adjustment mechanism designed to cater for the scenario where the Average Price applicable to the entire building in which the Vendor is to select the unit(s) to be purchased shall be different from the Selling Price of the unit(s) to be purchased by the Vendor. The Price Difference adjustment mechanism would ensure that the interests of either the Vendor or the Purchaser are protected when the Vendor purchase their selected units using the Fixed Price.

The Average Price and Selling Price will be determined by the developer of the Residential Properties after Open for Sale using the gross floor area and the price per sq.m. and will also be the price to be offered to the other purchasers acquiring the Residential Properties on market after Open for Sale. Therefore, the Vendor would be acquiring the Acquired Properties at the competitive market price, which the Board considers to be fair and reasonable. The selection of the units of the Residential Properties to be purchased by the Vendor will depend on the then Selling Price, Average Price, the floor and direction of the units of Residential Properties. Upon full exercise of the Right to Purchase, the Vendor or its nominees would be entitled to acquire more Residential Properties (i.e. the gross floor area to be acquired then may be more than 11,897.44 sq.m.) by using the Price Difference adjustment mechanism if the Average Price is higher than the Selling Price. However, given that the Average Price might not be the same as the Fixed Price, the equivalent value of Acquired Properties might be different from RMB232,000,000. Therefore, the Board is of the view that the arrangement under the Sale and Purchase Agreement is able to safeguard the interests of the Vendor.

The Directors are of the opinion that the Vendor will very likely exercise the Right to Purchase and based on the currently available information, the Vendor is not aware of any circumstances that will cause it not to exercise such Right to Purchase if the Purchaser completes the development of the Residential Properties within the prescribed time in accordance with the Sale and Purchase Agreement. As such, the Right to Purchase granted to the Vendor is considered as an acquisition of assets by the Company.

The Company will publish further announcements to inform the Shareholders when the Right to Purchase is first being exercised, when the Price Difference for the Acquired Properties in aggregate has been determined, when the Right to Purchase has been fully used up or lapsed and when there are any major developments in relation to the terms of the Right to Purchase.

LETTER FROM THE BOARD

Purchaser's Undertakings

The Purchaser has executed the Undertaking Letter, which forms part of the Sale and Purchase Agreement, in favour of the Vendor in relation to the abovementioned Right to Purchase, and has made, *inter alia*, the following undertakings with regards to the Right to Purchase:

- (A) Open for Sale of the Residential Properties shall take place within 4 years and 6 months after the date of the Sale and Purchase Agreement, and the Purchaser shall notify the Vendor of the Open for Sale at least 10 days in advance;
- (B) in the premise of the Right to Purchase being exercised, the Purchaser shall complete the procedure to deliver the Acquired Properties to the Vendor or its nominees within 5 years from the date of the Sale and Purchase Agreement and in the event that the Purchaser shall fail to do so for any reason, the Purchaser shall pay to the Vendor or its nominees compensation in the amount of RMB10,000,000 (equivalent to approximately HK\$12,400,000) plus interest at the rate prescribed by the People's Bank of China during the same period accruing each day thereon from the first day in the fifth year anniversary of the date of the Sale and Purchase Agreement to the date of actual payment, which is determined after arm's length negotiations between the parties to the Sale and Purchase Agreement;
- (C) the Purchaser shall deliver to the Vendor or its nominees premises permits and all other title documents in relation to the Acquired Properties under the relevant PRC law and regulations within 5 years and 6 months from the date of the Sale and Purchase Agreement. In the event that the Purchaser shall fail to deliver the Acquired Properties to the Vendor or its nominees under the Right to Purchase within 6 years from the date of the Sale and Purchase Agreement, the Vendor shall be entitled to claim the abovementioned Vendor's Remedies; and
- (D) notwithstanding Completion, before delivery of the Residential Properties under the Right to Purchase or before the exercise of the Right to Payment, the Purchaser shall not, without consent of the Vendor:
 - (i) dispose of in whatsoever manner (including but not limited to, by selling, transferring or pledging) the shares of the Target Company;
 - (ii) dispose of in whatsoever manner (including but not limited to, by selling, transferring or pledging) the Residential Properties (including but not limited to the title documents of the Residential Properties); or

LETTER FROM THE BOARD

- (iii) dispose or transfer in whatsoever manner (including but not limited to, by selling, transferring or pledging) the property from the Purchaser after Completion, save and except for transfer of the Property to a project company (the “**Project Company**”) for the purpose of developing the Residential Properties, in which case the Purchaser shall obtain the prior approval of the Vendor, and undertake that the Vendor or its nominees will be entitled to the entire interest in the Acquired Properties to be purchased under the Right to Purchase and guarantee that the interest of the Purchaser in the Project Company and the Residential Properties shall be not less than 100% after such disposal or transfer.

Given that the Vendor is provided with the Vendor’s Remedies, that the Vendor shall be notified of any event that may affect the development progress of the Residential Properties and that a progress report in relation to the development of the Residential Properties shall be delivered to the Vendor at each anniversary of the date of the Sale and Purchase Agreement, the Directors are of the view that the terms of the Sale and Purchase Agreement and the Undertaking Letter are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REPRESENTATIONS AND WARRANTIES OF THE PARTIES

The Purchaser irrevocably made, *inter alia*, the following representations and warranties to the Vendor under the Sale and Purchase Agreement and the Undertaking Letter:

- (A) the Residential Properties to be delivered to the Vendor are free from encumbrances;
- (B) the Vendor or its nominees shall have the right to enjoy the rights and benefits attaching to the Acquired Properties after the exercise of the Right to Purchase;
- (C) upon Open for Sale, the Purchaser shall vest in the Vendor or its nominees the right to use 115 car parking spaces in the Residential Properties at nil consideration, and the Purchaser shall deliver to the Vendor or its nominees licences to use the Parking Spaces (the “**Licences**”) after Open for Sale and the Vendor shall be entitled to transfer such Licences to any person it may desire;
- (D) the Purchaser shall immediately notify the Vendor of any event which may affect the development project of the Residential Properties (including without limitation, delay in project progress, change in applicable policies, financial condition, legal proceedings, etc.);
- (E) the Guarantors have full power to sign the Deeds of Guarantee and that the Deeds of Guarantee have binding legal effect on the Guarantors;

LETTER FROM THE BOARD

- (F) at each anniversary of the date of the Sale and Purchase Agreement, the Purchaser shall deliver to the Vendor competent progress report in relation to the development of the Residential Properties, which has to be compiled by professionals with appropriate qualifications and in form and substance acceptable to the Vendor, and any approval or consent obtained by the Purchaser at the time;
- (G) upon obtaining any further approval, consent, permission, and qualifications in relation to the development of the Residential Properties, the Purchaser shall furnish a copy of the same to the Vendor within 3 days;
- (H) the Purchaser shall sign any necessary documents and/or take any necessary actions on request of the Vendor or its nominees so as to effect the purchase of properties under the Right to Purchase; and
- (I) in the event that the development of the Residential Properties shall be undertaken by any other companies, or after Completion the Residential Properties have been transferred to be held by other companies of the Purchaser for the purpose of their development, the Purchaser undertakes that it will cause the companies then undertaking the development of the Residential Properties or then holding the Residential Properties to be bound by the obligations under the Sale and Purchase Agreement, including but not limited to the obligations in relation to the Right to Purchase.

The Vendor irrevocably made, *inter alia*, the following representations and warranties to the Purchaser under the Sale and Purchase Agreement:

- (A) the Vendor is the legal and beneficial owner of the Sale Shares and the Target Company is the legal and beneficial owner of the Property;
- (B) save as disclosed, the Sale Shares and the Property are free from encumbrances;
- (C) the Target Company is duly incorporated and is not subject to any winding-up petitions or winding-up proceedings or any litigations;
- (D) the Vendor will endeavor to maintain the Target Company's goodwill and business before Completion;
- (E) the Vendor will not cause any change to the shareholding structure of the Target Company before Completion; and
- (F) the Vendor will deliver to the Purchaser the Property within 3 months after the Completion Date.

LETTER FROM THE BOARD

Vendor's right to terminate the Sale and Purchase Agreement

Any breach of obligations, representations and/or warranties under the Sale and Purchase Agreement (including breach of the Undertaking Letter) constitutes a default of the Purchaser, and it shall entitle the Vendor to require the Purchaser to rectify the same within 10 business days, failure of which will entitle the Vendor to terminate the Sale and Purchase Agreement unilaterally and to claim the abovementioned Vendor's Remedies on full indemnity basis.

Performance of the Purchaser's Undertaking

Since the Undertaking Letter forms a part of the Sale and Purchase Agreement, a breach of the Undertaking Letter would also be a breach of the Sale and Purchase Agreement, entitling the Vendor to terminate the Sale and Purchase Agreement unilaterally if their request for the Purchaser to rectify the breach is not to the satisfaction of the Vendor within 10 business days and to claim the Vendor's Remedies, which include the payment of RMB232,000,000 in cash forthwith plus interest and the enforcement of the Deeds of Guarantee, on full indemnity basis.

Further, not only have the Purchaser made representations and warranties that they shall immediately notify the Vendor of any event which may affect the development progress of the Residential Properties, but also that at each anniversary of the date of the Sale and Purchase Agreement, the Purchaser shall also deliver to the Vendor competent progress report in relation to the development of the Residential Properties.

The Board considers that such representations and warranties, with the addition of the Deeds of Guarantee, are sufficient to ensure that the Purchaser is able to follow the terms of the Purchaser's Undertaking or otherwise provide safeguards to the Company in case of default of the Undertaking Letter.

INFORMATION OF THE COMPANY, THE VENDOR AND THE TARGET COMPANY

The Company

The Company is principally engaged in the manufacturing of plastic, die-cast and plush toys, with vertically integrated production process including mould making, manufacturing and design, and the manufacturing of lighting products.

LETTER FROM THE BOARD

The Vendor

The Vendor, Assetnet Limited, is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. Before Completion, it was the sole legal and beneficial owner of the Target Company.

The Target Company

The Target Company, Shelcore Hong Kong Limited, is an investment holding company incorporated in Hong Kong with limited liability. Before Completion, the Target Company was a direct wholly-owned subsidiary of the Vendor and was the legal and beneficial owner of the Property. The appraised value of the Property as at 31 December 2014 and 31 May 2015 was approximately RMB30,130,000 (equivalent to approximately HK\$37,361,200) and RMB30,600,000 (equivalent to approximately HK\$37,944,000), respectively, according to the valuation report prepared by the Valuer. Such difference was attributable to the change in market value during the period.

Set out below is a summary of the financial information of Target Company as at and for the financial year ended 31 December 2013 (audited) and 31 December 2014 (audited):

	For the financial year ended 31 December 2013 (audited) HK\$'000	For the financial year ended 31 December 2014 (audited) HK\$'000
Revenue	—	—
Loss before taxation	498	604
Loss after taxation	4,066	604
	As at 31 December 2013 (audited) HK\$'000	As at 31 December 2014 (audited) HK\$'000
Net Assets	29,019	15,626

LETTER FROM THE BOARD

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability. It is principally engaged in the business of property development in the PRC.

INFORMATION ON THE GUARANTORS

Mr. Lin Youwu is the legal representative of the Purchaser. Through intermediate holding companies, Mr. Lin Youwu is the ultimate controlling shareholder of the Purchaser as at the Latest Practicable Date.

Mr. Rong Shaoqun holds share equity interest in Shenzhen Natural Investment Development Co., Ltd.* (深圳市天然投資發展有限公司), which is a PRC limited company.

Shenzhen Broad Link Group Limited* (深圳博林集團有限公司)(“**Shenzhen Broad Link**”) is a limited company incorporated in the PRC and is principally engaged in property development and property management, wholesale, import and export of building and decoration materials, etc. As at the Latest Practicable Date, Shenzhen Broad Link beneficially owns 63% of the share equity interest of the Purchaser through intermediate holding companies and Mr. Lin Youwu is the legal representative of Shenzhen Broad Link.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and the Guarantors (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

INFORMATION ON THE RESIDENTIAL PROPERTIES

As at the Latest Practicable Date, the construction of the Residential Properties had not commenced. As informed by the Purchaser, the Purchaser will submit the construction plan to relevant governmental authorities to obtain permits, licences, certificates and other approvals upon Completion for commencing its construction of the Residential Properties.

FINANCIAL EFFECTS OF THE TRANSACTION AND USE OF PROCEEDS

Subject to, among other things, the determination of fair value of consideration and the recoverability of the settlement under the Right to Purchase, it is preliminarily expected that as a result of the Disposal, the Group will have a gain on disposal of approximately HK\$217,874,000 (subject to audit) upon the Completion, which is based on the fair value of the consideration as at 31 December 2014 of HK\$235,600,000 after the deduction of carrying amounts of assets and liabilities of the Target Company of HK\$15,626,000 and estimated related expenses of HK\$2,100,000. The actual financial effects for the Disposal to be recognised in the Company’s

LETTER FROM THE BOARD

unaudited consolidated financial statements may be different from the abovementioned estimation. The cash proceeds generated from the Disposal will be applied as general working capital of the Company.

After Completion, the Target Company is no longer a subsidiary of the Company and the Group will not consolidate the financial statements of the Target Company thereafter.

As disclosed in the unaudited pro forma statement of assets and liabilities of the Group set out in Appendix III to this circular, as at 31 December 2014, the Group recorded total assets and total liabilities of approximately HK\$877,282,000 and HK\$199,676,000 respectively. It is estimated that upon Completion, the total assets and total liabilities would increase by approximately HK\$219,974,000 and HK\$2,100,000 to approximately HK\$1,097,256,000 and HK\$201,776,000 respectively. Since it is expected that the Group will recognise an unaudited gain of approximately HK\$217,874,000, it is estimated that the net assets of the Group will increase by approximately HK\$217,874,000 as a result of the Disposal.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As at the Latest Practicable Date, the Property is left unused and the factories located thereon have been suspended from operation. As the Purchaser intends to acquire the Target Company for the purpose of re-development, the Company considers that the Disposal is a good opportunity for the Group to realise a gain. In addition, the Right to Purchase as part of the Consideration would allow the Group to exchange for certain units in the Residential Properties at the Fixed Price after the Open for Sale, which would enable the Group to diversify its investments and broaden the asset base and income stream of the Group.

The Board considers that the Sale and Purchase Agreement was entered into after arm's length negotiations between the Purchaser and the Vendor and that the terms therein are on normal commercial terms and the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION OF THE TRANSACTION

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the exercise of the Right of Purchase exceeds 25% but none of which exceeds 100%, the exercise of the Right to Purchase will constitute a major acquisition for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Sale and Purchase Agreement and the transaction contemplated thereunder may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting in the event that a general meeting is convened for the approval of the transaction; and (b) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser, the Guarantors and their ultimate beneficial owner(s) are third parties independent of the Group and its connected persons and no Shareholder or any of their associates have a material interest in the Sale and Purchase Agreement. As such, no Shareholder would be required to abstain from voting for the resolution to approve the Sale and Purchase Agreement and the transaction contemplated thereunder should the sale and Purchase Agreement be put forward to the Shareholders for approval at a general meeting.

Accordingly, by virtue of Rule 14.44 of the Listing Rules, Smart Forest Limited, which is 100% owned by Mr. Cheng Yung Pun (who is beneficially interested in 538,255,569 Shares, representing approximately 71.18% of the issued share capital of the Company as at the Latest Practicable Date), has approved by way of written approval given to the Company to approve the Sale and Purchase Agreement and the transaction contemplated thereunder in lieu of a general meeting. Therefore, no general meeting of the Company for the approval of the Sale and Purchase Agreement will be held.

The Board considers that the terms in relation to the Right to Purchase have been negotiated on an arm's length basis and are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the resolution for approving the Sale and Purchase Agreement and the transaction contemplated thereunder (including the Right to Purchase) if a special general meeting of the Company is required to be held to consider and approve the same.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Matrix Holdings Limited
Cheng Yung Pun
Chairman

1. THREE YEARS FINANCIAL INFORMATION

The consolidated financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 are disclosed in the annual reports of the Group for the years ended 31 December 2012 (pages 47 to 113), 2013 (pages 49 to 119) and 2014 (pages 49 to 115), respectively. The aforementioned financial information of the Group can be accessed on the website of the Company (www.irasia.com/listco/hk/matrix) and the website of the Stock Exchange (www.hkexnews.hk), and can also be accessed by the direct hyperlinks below:

- (a) the annual report of the Group for the financial year ended 31 December 2012:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0405/LTN201304051319.pdf>
- (b) the annual report of the Group for the financial year ended 31 December 2013:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0401/LTN201404011918.pdf>
- (c) the annual report of the Group for the financial year ended 31 December 2014:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0331/LTN201503311205.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$23.7 million, comprising (i) secured bank loans of approximately HK\$7.8 million which were secured by property, plant and equipment, trade receivables and inventories and (ii) unsecured bank loans of approximately HK\$15.9 million.

Save as disclosed in the section headed “6. Litigation” in Appendix IV to this circular and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debts securities issued and outstanding or authorised or otherwise created but unissued or other similar borrowings or indebtedness in the nature of borrowings including bank overdrafts, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, any guarantees or other material contingent liabilities as at the close of business on 31 May 2015.

3. WORKING CAPITAL STATEMENT

Taking into account the expected completion of the Sale and Purchase Agreement and the financial resources available to the Group, including internally generated funds and available banking facilities, the Directors, after due and careful consideration, are of the opinion that the Group has sufficient working capital for its present requirements in absence of unforeseen circumstances, that is for at least 12 months following the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

The Group will adhere to its diversified strategy to motivate business growth, which includes research and development of new products, consolidating the existing product portfolio, seeking new product categories and readjusting product prices to widen client base and enlarge market shares. For geographical coverage, other than traditional toy markets like North America and Europe, the Group has further expanded into another emerging market leveraged on its accumulated market experience. The implementation of these plans has generated new momentum for growth. Along with the Vietnam production base which has established new facilities and upgraded its production capacities, further accomplishment will be made.

Looking ahead, the Group's ultimate goal will be to continue maintaining profitability and achieving cost efficiency. As such, the Management of the Company will closely monitor the Company's development strategy so as to maximise the return for our Shareholders.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 31 May 2015 of the Property.



永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

24 July 2015

The Board of Directors

**Matrix Holdings Limited &
Assetnet Limited**

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

Dear Sirs / Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interest (“the Property”) held by Matrix Holdings Limited & Assetnet Limited (the “Companies”) and its subsidiary (the “Group”) located in the People’s Republic of China (the “PRC”). We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2015 (the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“Market Value”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

Due to the nature of buildings and structures, and absence of sufficient market data, we have valued the property by Depreciated Replacement Cost (“DRC”). DRC is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization.

In the valuation of the land portion, market approach is adopted by making reference to the sales comparables in the locality, comparable land of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each land comparable in order to arrive at a fair comparison of market value.

The depreciated replacement cost approach generally furnishes the most reliable indication of value for the property in the absence of comparable sales evidence. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

- i. all necessary statutory approvals for the Properties or the subject building of which the Properties forms part of their use have been obtained;
- ii. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;
- iii. no deleterious or hazardous materials or techniques have been used in the construction of the Properties; and
- iv. the Properties are connected to main services and sewers which are available on normal terms.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest. However, we have not examined the original documents to verify the existing title to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Companies' PRC legal advisers, Goldsun Law Firm, concerning the validity of the title to the property interest located in the PRC.

LIMITING CONDITIONS

We have inspected the Property by Mr. Kevin Mok (BSc (Civil Engineering)) in January 2015. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have relied to a considerable extent on information provided by the Companies and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Companies. We have also been advised by the Companies that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

REMARKS

We have valued the Property in Renminbi (RMB).

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau

FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)

Managing Director

Jessie X. Chen

MRICS, MSc (Real Estate), BEcon

Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Jessie Chen is a Chartered Surveyor (Valuation) of The Royal Institution of Chartered Surveyors with over 5 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2015 RMB
An Industrial Complex located at 188 Industrial Zone, Henggang County, Longgang District, Shenzhen, the PRC	<p>The property comprises an industrial complex mainly consists of factories and office buildings erected over a parcel of land with a site area of approximately 10,849.10 sq.m. (116,780 sq.ft.) completed in about 1996.</p> <p>The property has a total gross floor area of approximately 24,740.67 sq.m. (266,306 sq.ft.).</p> <p>The land use rights of the property were granted for a term of 50 years commencing on 25 July 1992 and expiring on 25 July 2042 for industrial use.</p>	The property is owner-occupied.	30,600,000 (RENMINBI THIRTY MILLION AND SIX HUNDRED THOUSAND ONLY)

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zheng Zi Di No. 6000611946, the land use rights of the property with a site area of approximately 10,849.10 sq.m. were granted to Shelcore Hong Kong Limited (“Shelcore”), an indirect wholly-owned subsidiary of the Company, for a term of 50 years commencing on 25 July 1992 and expiring on 25 July 2042 for industrial use. The building ownerships of the property with a total gross floor area of approximately 24,740.67 sq.m. are vested in Shelcore.
2. As advised by the Company, the locality of Property may be subject to re-zoning in the future, the permitted usage of land will be changed from existing usage (ie. industrial use) into residential use. For reference purpose, based on the comparable residential developments with medium quality located at Longgang district of Shenzhen, the current unit rate of residential unit in surrounding area is around RMB19,000 to RMB20,000 per sq.m..
3. We have been provided with a legal opinion by the Companies’ PRC legal advisor, Goldsun Law Firm, regarding the legal title of the Property, which contains, *inter alia*, the followings:
 - i. the real estate title certificate – Shen Fang Di Zheng Zi Di No. 6000611946 is legal and valid.
 - ii. the Property is legally held by Shelcore;
 - iii. Shelcore is entitled to transfer, lease, mortgage or dispose of the Property freely in the market; and
 - iv. the Property is free from any other mortgage or third parties’ encumbrance.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

A UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma financial information, comprising the statement of assets and liabilities of the Group (“Unaudited Pro Forma Financial Information”), which has been prepared for the purpose of illustrating the effect of the proposed transaction in relation to the disposal of the entire equity interest of Shelcore Hong Kong Limited, an indirect wholly owned subsidiary of the Company (the “Target Company”) and the exercise of the right to purchase of residential properties (the “Right to Purchase”) by Assetnet Limited, an indirect wholly-owned subsidiary of the Company (the “Transaction”) that might have affected the Unaudited Pro forma Financial Information of the Group if the Transaction had taken place on 31 December 2014. The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2014 as extracted from the published annual report of the Company as at and for the year ended 31 December 2014, after giving effect to the pro forma adjustments described in the notes below.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Group had the Transaction been completed as at 31 December 2014 or at any future date.

	The Group as at 31 December 2014 HK\$'000 Note 1	Pro forma adjustments HK\$'000 HK\$'000 HK\$'000 Note 2 Note 3 Note 4			Unaudited Pro forma adjusted total for the Group upon completion HK\$'000
Non-current assets					
Property, plant and equipment	187,469	(14,740)			172,729
Leasehold land and land use right	14,685	(886)			13,799
Intangible assets	96,822				96,822
Deferred tax assets	5,465				5,465
Other non-current assets	<u>–</u>		186,000		<u>186,000</u>
Total non-current assets	<u>304,441</u>				<u>474,815</u>
Current assets					
Inventories	310,443				310,443
Trade and other receivables and prepayment	193,962				193,962
Tax receivable	19				19
Cash and cash equivalents	<u>68,417</u>		49,600		<u>118,017</u>
Total current assets	<u>572,841</u>				<u>622,441</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 December 2014	Pro forma adjustments				Unaudited Pro forma adjusted total for the Group upon completion
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>		
Non-current liabilities						
Deferred tax liabilities	<u>540</u>					<u>540</u>
Total non-current liabilities	<u>540</u>					<u>540</u>
Current liabilities						
Trade and other payables and accruals	152,633			2,100		154,733
Tax payables	21,145					21,145
Bank borrowings	<u>25,358</u>					<u>25,358</u>
Total current liabilities	<u>199,136</u>					<u>201,236</u>
Net current assets	<u>373,705</u>					<u>421,205</u>
Total assets less total liabilities	<u>677,606</u>					<u>895,480</u>

Notes:

1. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2014, as set out in the published annual report of the Company for the year ended 31 December 2014.
2. The adjustments represent the carrying amounts of assets and liabilities of the Target Company as at 31 December 2014 as extracted from its audited financial statements for the year ended 31 December 2014.
3. The considerations in connection with the disposal of the Target Company are as follows:
 - (i) Cash consideration of RMB40,000,000 (equivalent to approximately HK\$49,600,000) which has been paid in cash upon the signing of the Sale and Purchase Agreement; and
 - (ii) The Right to Purchase at a fixed price of RMB232,000,000 when the development of the Residential Properties is completed and delivered to the Group within the prescribed time contemplated under the Sale and Purchase Agreement. For the purpose of this Unaudited Pro Forma Financial Information, the estimated fair value of other non-current assets to be received amounted to approximately RMB150,000,000 (equivalent to approximately HK\$186,000,000) based on the valuation performed by RHL Appraisal Ltd, an independent valuer, on the fair value of the redevelopment land of

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

approximately RMB190,000,000 (equivalent to approximately HK\$235,600,000) as at 31 December 2014 less cash consideration of approximately RMB40,000,000 (equivalent to approximately HK\$49,600,000). The event that the development of the Residential Properties is not completed and delivered to the Group within the prescribed time has not been taken into accounts for the purpose of preparing the Unaudited Pro Forma Financial Information as stated above.

4. The adjustment represents the professional expenses and other transaction costs relating to the Transaction of approximately HK\$2,100,000 which will be borne by the Company in accordance with the Sale and Purchase Agreement. Pursue to the Sale and Purchase Agreement, any other fees or expenses, including tax, arising from the Transaction contemplated under the Sales and Purchase Agreement shall be borne by the Purchaser.
5. The translation of RMB into HK\$ in this Unaudited Pro Forma Financial Information was made at a rate of RMB1.00 to HK\$1.24 as at 31 December 2014.
6. The estimated gain on the Transaction of approximately HK\$217,874,000 is based on the fair value of the consideration as at 31 December 2014 of approximately HK\$235,600,000 after deduction of carrying amounts of assets and liabilities of the Target Company of HK\$15,626,000 and estimated related expenses of HK\$2,100,000.
7. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014 for the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Group upon completion of the Transaction.

B REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A CIRCULAR****TO THE DIRECTORS OF MATRIX HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Matrix Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2014 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 28 to 30 of the Company's circular dated 24 July 2015 (the "Circular"), in connection with the proposed transactions in relation to the disposal of the entire equity interest of Shelcore Hong Kong Limited, an indirect wholly owned subsidiary of the Company and the exercise of the right to purchase of residential properties (the "Right to Purchase") by Assetnet Limited, an indirect wholly-owned subsidiary of the Company (the "Transaction"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 28 to 30 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's assets and liabilities as at 31 December 2014 as if the Transaction had taken place at 31 December 2014. As part of this process, information about the Group's assets and liabilities has been extracted by the directors from the Group's financial statements for the year ended 31 December 2014, on which an audit report has been published.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 July 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Interest in the Company:

Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK\$0.10 each of the Company

Name of Director/chief executive officer	Nature of interests	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Yung Pun (Director)	Corporate interest (Note 1)	538,255,569	71.18%
Arnold Edward Rubin (Director)	Personal interest	72,000	0.01%
Cheng Wing See, Nathalie (Director)	Personal interest	723,230	0.10%

Name of Director/chief executive officer	Nature of interests	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng King Cheung (<i>Director</i>)	Personal interest	1,868,000	0.25%
Leung Hong Tai (<i>Director</i>)	Personal interest (<i>Note 2</i>)	6,202,000	0.82%
Tsang Chung Wa (<i>Director</i>)	Personal interest	4,108,251	0.54%
Tse Kam Wah (<i>Director</i>)	Personal interest	4,280,000	0.57%
Yu Sui Chuen (<i>Director</i>)	Personal interest	440,000	0.06%
Chen Wei Qing (<i>Chief Executive Officer</i>)	Personal interest	4,000,000	0.53%

Notes:

- (1) The shares are held by Smart Forest Limited (“**Smart Forest**”), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Forest is wholly owned by Mr. Cheng Yung Pun.
- (2) 608,000 shares are held by Ip Yi Mei, spouse of Mr. Leung Hong Tai, Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no other person or companies (other than the Directors or the chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Positions in Ordinary Shares of the Company

Ordinary Shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest (<i>Note 1</i>)	Beneficial owner	538,255,569	71.18%

Note:

- (1) Smart Forest, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Cheng Yung Pun, an executive Director of the Company.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there is no contract or arrangement subsisting in which a Director is materially interested and significant in relation to the business of the Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

6. LITIGATION

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Funrise Inc., a wholly owned subsidiary of the Company, is currently engaged in a litigation in California, the United States of America with the following particulars:

Plaintiff:	Travelers Property Casualty Company of America
Defendant:	Funrise Inc.
Subject Matter:	Alleged indebtedness to the Plaintiff in the sum of US\$90,407, from 6 June 2012 through 6 June 2013, for goods, wares and merchandise sold and/or services rendered to the Defendant
Amount of Claim:	US\$90,407 plus interest at the rate of 10% per annum from 1 April 2013

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director, the Group was not engaged in any litigation, claim or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest audited financial statements of the Company were made up.

8. SERVICES CONTRACTS

Mr. Arnold Edward Rubin (“**Mr. Rubin**”) and Mr. Cheng King Cheung (“**Mr. Cheng**”) have entered into service agreements in relation to their executive positions in the subsidiaries of the Group for a term of three years commencing from 8 June 2013 and 12 May 2013 respectively.

The service contract of Mr. Rubin contains, *inter alia*, the following terms:

- (a) Mr. Rubin shall receive a basic annual salary of US\$630,000, payable in monthly instalment plus other benefits; and
- (b) the service contract may be terminated by written notice 12 months in advance or 12 months' salary in lieu.

The service contract of Mr. Cheng contains, *inter alia*, the following terms:

- (a) Mr. Cheng shall receive a basic annual salary of HK\$1,040,000, payable in monthly instalment plus other benefits; and
- (b) the service contract may be terminated by written notice 12 months in advance or 12 months' salary in lieu.

Total emoluments (salaries, allowances and contributions to pension scheme inclusive) paid to Mr. Arnold Edward Rubin and Mr. Cheng King Cheung for the period between the date of their respective appointment to 31 December 2013 and the financial year ended 31 December 2014, were HK\$2,925,000 and HK\$679,000 for 2013 and are HK\$5,226,000 and HK\$1,132,000 for 2014 respectively. On the other hand, each of the independent non-executive Directors entered into a letter of appointment with the Company without any terms.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which is not expiring or determinable by the Group within one year without payment of any compensation, other than statutory compensation.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinions and advice in this circular:

Name	Qualification
RHL Appraisals Limited (“ RHL ”)	Property valuer
PricewaterhouseCoopers (“ PwC ”)	Certified Public Accountant

RHL and PwC have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their respective reports dated 24 July 2015 and reference to their names in the form and context in which they appear.

As at the Latest Practicable Date, RHL and PwC did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2014, the date to which the latest audited financial statements of the Group was made up, and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MATERIAL CONTRACTS

Save and except the Sale and Purchase Agreement, no material contract (not being contracts in the ordinary course of business) has been entered into by the members of the Group within the two years immediately preceding the date of this circular.

11. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Ms. Lai Mei Fong is a fellow member of the Hong Kong Institute of Chartered Secretaries. She holds a Master's degree in Business and Administration.
- (d) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (e) The principal place of business of the Company in Hong Kong is Suite Nos. 223-231, 2nd Floor, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.
- (h) The English texts of this circular shall prevail over their respective Chinese texts in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Suite Nos. 223-231, 2nd Floor, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong during normal business hours on any weekday other than public holidays, up to and including 7 August 2015:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2012, 2013 and 2014;
- (c) the written consent referred to in the section headed “Expert’s qualifications and consents” of this Appendix;
- (d) the report on the unaudited pro forma financial information of the Group from PwC, the text of which is set out in Appendix III to this circular;
- (e) written approval by major shareholder;
- (f) the property valuation report of the Property, the text of which is set out in Appendix II to this circular;
- (g) the Sale and Purchase Agreement;
- (h) the service contracts of Mr. Arnold Edward Rubin and Mr. Cheng King Cheung, the executive Directors of the Company; and
- (i) this circular.