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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Matrix Holdings Limited, you should at once hand this circular and the enclosed form of election to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

**SCRIP DIVIDEND ALTERNATE IN RELATION TO**

**THE INTERIM DIVIDEND**

**FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

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17th October, 2007

\* *For identification purposes only.*

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## DEFINITIONS

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*In this circular the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

“Board”	the board of directors of the Company
“Company”	Matrix Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Interim Dividend”	the interim dividend of HK\$0.08 per Share for the six months ended 30th June, 2007 payable on or about Thursday, 15th November, 2007 to the Shareholders whose names appear on the register of members of the Company on 5th October, 2007
“Scrip Dividend Alternate”	proposed by the Directors on Thursday, 20th September, 2007 in relation to the Interim Dividend to offer the Shareholders a scrip alternative to elect to receive such dividend wholly or partly by allotment of new Shares credited as fully paid in lieu of cash
“Scrip Dividend Shares”	new Shares to be issued under the Scrip Dividend Alternate
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

# 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

Yu Sui Chuen

Cheng Wing See, Nathalie

#### *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

### Head office and principal place of business:

Room 901, 9th Floor

East Ocean Centre

98 Granville Road

Tsimshatsui East

Kowloon

Hong Kong

17th October, 2007

*To the Shareholders of the Company*

Dear Sir and Madam,

## **SCRIP DIVIDEND ALTERNATE IN RELATION TO THE INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

### INTRODUCTION

On 20th September, 2007, the Board announced the interim results of the Company and its subsidiaries and declared the Interim Dividend. The Board also announced that the Shareholders whose names appeared on the register of members on 5th October, 2007 may elect to receive the Interim Dividend wholly or partly in Scrip Dividend Shares. The register of members of the Company was closed on 4th October, 2007 and 5th October, 2007.

The purpose of this circular is to set out the procedures which apply in relation to Scrip Dividend Alternate and the action which should be taken by the Shareholders in relation thereto.

\* *For identification purposes only.*

PARTICULARS OF THE SCRIP DIVIDEND ALTERNATE

Each Shareholder has the following choices in respect of the Interim Dividend:

- (a) to receive a cash dividend of HK\$0.08 per Share; or
- (b) to be allotted Scrip Dividend Shares credited as fully paid and having an aggregate market value (as described below), save for adjustment for fractions, equal to the total amount of the Interim Dividend which such Shareholder would otherwise receive in cash; or
- (c) to receive the Interim Dividend partly in cash and partly in Scrip Dividend Shares.

The Scrip Dividend Shares will be allotted to the Shareholders electing to receive Scrip Dividend Shares in lieu of cash dividend and will rank pari passu in all respects with the existing issued Shares except that they shall not rank for the Interim Dividend.

BASIS OF ALLOTMENT OF THE SCRIP DIVIDEND SHARES

For the purpose of calculating the number of Scrip Dividend Shares to be allotted, the market value of Scrip Dividend Shares has been determined at HK\$1.75 per Share, which is equivalent to the average closing prices of the Shares quoted on the Stock Exchange for the five consecutive trading days, from 28th September, 2007 to 5th October, 2007 (both days inclusive). A press announcement dated 5th October, 2007 setting out the basis of allotment of Scrip Dividend Shares has been published. Accordingly, the number of Scrip Dividend Shares which the Shareholders will receive, in respect of the existing Shares registered in their names as at Friday, 5th October, 2007 and for which elections to receive the Scrip Dividend Shares are lodged with Tricor Secretaries Limited, the Company’s branch share registrar in Hong Kong, of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong on or before 4:00 p.m. on Monday, 5th November, 2007 will be calculated as below:

Number of Interim Scrip Dividend Shares to be received	=	Number of existing Shares held on 5th October, 2007 for which election is made under the Scrip Dividend Alternate	x	$\frac{\text{HK\$0.08}}{\text{HK\$1.75}}$
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The number of Scrip Dividend Shares to be received will be rounded down to the nearest whole number of the Scrip Dividend Shares. No Shareholder is entitled to be issued any fraction of a Share under the Scrip Dividend Alternate. Fractional entitlements to the Scrip Dividend Shares in respect of alternatives (b) and (c) above will be aggregated and sold for the benefit of the Company.

ADVANTAGES OF THE SCRIP DIVIDEND ALTERNATE

The Scrip Dividend Alternate will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Alternate will also benefit the Company because, to the extent that the Shareholders elect to receive the Scrip Dividend Shares in whole or in part in lieu of a cash dividend, such cash, which would otherwise have been paid to the Shareholders, will be retained for use by the Company.

## **EFFECT OF THE SCRIP DIVIDEND ALTERNATE**

If no elections for Scrip Dividend Shares were received, the total cash dividend payable by the Company would be HK\$52,136,208.80. If all Shareholders elect to receive their entitlements in Scrip Dividend Shares, based on 651,702,610 Shares in issue on 5th October, 2007, not more than 29,792,119 Scrip Dividend Shares will be issued under the Scrip Dividend Alternate.

Shareholders should note that the Scrip Dividend Shares may give rise to notification requirements under Part XV of the SFO for those Shareholders who may have notifiable interests in the Company. Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

The Company, being an exempted company incorporated in Bermuda, has been designated as non-resident for Bermuda exchange control purposes and has been granted an assurance by the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966. Accordingly, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital assets, gain or appreciation will be payable by it or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to Shares, debentures or other obligations of the Company held by non-residents of Bermuda.

## **FORM OF ELECTION**

**If you elect to receive the Interim Dividend wholly in cash, you do not need to take any action.**

**If you elect to receive Scrip Dividend Shares, or partly in cash and partly in Scrip Dividend Shares, you should use the enclosed form of election.** If you complete the form of election but do not specify the number of Shares in respect of which you wish to receive Scrip Dividend Shares, or if you elect to receive Scrip Dividend Shares in respect of a greater number of Shares than your registered holding on Friday, 5th October, 2007, you will be deemed to have exercised your election to receive Scrip Dividend Shares in respect of all the Shares of which you were then registered as the holder.

**The form of election should be completed in accordance with the instructions printed thereon and returned so that it is received by Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 5th November, 2007. No acknowledgment of receipt of the form of election will be issued.**

## **OVERSEAS SHAREHOLDERS**

Based on the register of members of the Company as at Friday, 5th October, 2007 (being the record date for the purpose of determining the Shareholders entitlement to the Interim Dividend), all Shareholders have registered addresses in Hong Kong save that various overseas Shareholders residing in five jurisdictions, namely the British Virgin Islands, Australia, Japan, Macau and Singapore.

The Directors have been advised by legal advisers in the relevant jurisdictions and having taken into account the legal requirements under the laws of the relevant jurisdictions that all Shareholders including overseas Shareholders, will be offered the right to elect to receive the Interim Dividend wholly or partly in Scrip Dividend Shares according to the Scrip Dividend Alternate.

**For the avoidance of doubt, the Scrip Dividend Shares are not offered to the public (other than the Shareholders) and the forms of election are non-transferable.**

Notwithstanding the legal advice taken by the Company, it is the responsibility of anyone wishing to participate in the Scrip Dividend Alternate to satisfy themselves as to full observance of the laws of any relevant territory including obtaining any governmental or other consents which may be required. Overseas Shareholders who are in any doubt as to their position should consult their own professional advisers.

## **LISTING AND DEALINGS AND DESPATCH OF DIVIDEND CHEQUES AND/OR SHARE CERTIFICATES**

Application will be made to the Stock Exchange for the grant of listing of, and permission to deal in, the Scrip Dividend Shares. It is expected that the cheques for cash entitlement in relation to the Interim Dividend and/or share certificates for new shares with respect to the Scrip Dividend Shares will be despatched at the risk of those entitled thereto at their respective registered addresses on or about Thursday, 15th November, 2007. On this basis, dealings in the Scrip Dividend Shares are expected to commence after the due despatch of the share certificates with respect to the Scrip Dividend Shares to the relevant Shareholders.

No equity or debt securities of the Company are listed on or dealt in on any other stock exchange and no listing or permission to deal in on any other stock exchange is being or is proposed to be sought.

Dealings in Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect your rights and interests.

## **CONDITIONS OF THE SCRIP DIVIDEND ALTERNATE**

The Scrip Dividend Alternate is conditional upon (a) the issue price of a Scrip Dividend Share being not less than the nominal value of a Share; and (b) the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Scrip Dividend Shares. In the unlikely event that any of the aforementioned conditions are not satisfied, Shareholders will receive the Interim Dividend wholly in cash.

## **RECOMMENDATION AND ADVICE**

Whether or not it is to your advantage to receive cash or the Scrip Dividend Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are the responsibility of each Shareholder. **If you are in any doubt as to what to do, you should consult your professional advisers as to whether or not you are permitted to receive the Interim Dividend in scrip form or if any governmental or other consent is required.** Shareholders who are trustees are recommended to take professional advice as to whether the choice of the Scrip Dividend Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

By Order of the Board  
**Cheng Yung Pun**  
*Chairman*