

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

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

DISCLOSEABLE TRANSACTION

Financial Adviser to the Company



Reference is made to the announcement and circular of the Company dated 18 June 2015 and 24 July 2015 (the “**Circular**”), respectively, in relation to, among other things, the major acquisition in relation to the right to purchase certain residential properties located in Shenzhen, Guangdong Province, the PRC. Unless as otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

As the Company has undertaken in the Circular that it will publish announcement(s) to inform the Shareholders, among others, when there are any major development in relation to the terms of the Right to Purchase, set out below are the details in relation to the latest major development of the Right to Purchase.

* *For identification purpose only*

INTRODUCTION

On 8th January 2018 (after trading hours), Assetnet Limited, being the Vendor and an indirectly wholly-owned subsidiary of the Company, as the borrower (the “**Borrower**”) entered into a loan agreement (the “**Loan Agreement**”) with Mr. Zhang Xiao Dong (張曉東) and Mr. Zeng Xiao Da (曾小達), as the lenders (the “**Lenders**”) and Shenzhen Shouxi Property Investment Development Company Limited* (深圳市首席置業投資發展有限公司), being the Purchaser, as the obligor to the Undertaking Letter (the “**Obligor**”), pursuant to which the Lenders agreed to make available to the Borrower, an aggregate loan amount of RMB225,000,000 (the “**Loan**”) for a term of one year.

LOAN AGREEMENT

Set out below are the principal terms of the Loan Agreement.

- Date: 8th January 2018
- Parties: (i) the Borrower;
- (ii) the Lenders; and
- (iii) the Obligor.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Lenders and the Obligor and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Loan principal amount: RMB225,000,000 (equivalent to approximately HK\$265,500,000) in aggregate

The Lenders will irrevocably make available the Loan to the Borrower in two tranches, the first tranche being RMB100,000,000 (equivalent to approximately HK\$118,000,000) (the “**First Tranche**”) and the second tranche being RMB125,000,000 (equivalent to approximately HK\$147,500,000) (the “**Second Tranche**”) within three months after the entering into of the Loan Agreement. In the event the Borrower has drawn down the First Tranche but the Lenders have failed to extend the Second Tranche within three months after the entering into of the Loan Agreement, the Borrower shall be released from its repayment obligation of the First Tranche, as a form of compensation.

The Borrower can determine the drawdown dates of the First Tranche and the Second Tranche in accordance with its own financing needs but the drawdown of which shall not take place after three months from the date of the Loan Agreement.

Interest: 3% per annum

Maturity date: One year from the date of drawdown of the Second Tranche (the “**Term of the Loan**”). During the Term of the Loan, the Lenders have the right to serve notice to the Borrower to demand repayment of the Loan principal and the relevant accrued interests in full within seven days.

Pledge: As security for the Loan, the Borrower, as the pledgor, has pledged the Right to Purchase, in its current state, in favour of the Lenders, as the pledgee (the “**Pledge**”). In the event of the Borrower fails to repay the Loan principal and the relevant accrued interests in full or fails to fulfil all of the relevant obligations under the terms of the Loan Agreement, the Lenders shall be able to enforce the Pledge by transferring the Right to Purchase in favour of them under the Pledge (the “**Enforcement of the Pledge**”). Upon completion of such transfer of the Right to Purchase, in its current state, the Lenders undertook not to pursue all outstanding Loan amounts. Under the terms of the Loan Agreement, the Obligor agreed to the aforesaid terms of the Enforcement of the Pledge.

The Pledge shall be released immediately upon the Borrower having repaid the Loan principal and the relevant accrued interests in full or having fulfilled all of the relevant obligations under the terms of the Loan Agreement.

Option: During the Term of the Loan, the Lenders are entitled to a preferential option (the “**Option**”) whereby they can exercise at anytime. Upon the exercise of the Option, the Lenders will be able to obtain the Right to Purchase, in its current state, to make good of the Loan principal and the relevant accrued interests in full.

Conditions to drawdown: Drawdown of the Loan is conditional upon, among other things, the provision of the Undertaking Letter by the Borrower to a third party as agreed by the Lenders and the Borrower.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and trading of toys and lighting products. The manufacturing services offered by the Group include design, moulding, product validation, multi-skilled manufacturing, general assembly and packaging.

INFORMATION ON THE LENDERS AND THE OBLIGOR

The Lenders are merchants.

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

UPDATE ON THE DEVELOPMENT STATUS OF THE RESIDENTIAL PROPERTIES

The Vendor has been provided two progress reports by the Purchaser in relation to the development status of the Residential Properties since the date of the Sale and Purchase Agreement. However, there remained no progress on the development of the Residential Properties as information provided by the two progress reports were mainly associated with the transfers of certain other non-agricultural redevelopment land to the re-development project.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

The Right to Purchase is a non-core asset of the Group. Such non-current asset is not productive and currently do not yield any returns. As set out in the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”), as at 30 June 2017, the Group had other non-current assets of approximately HK\$186.0 million (equivalent to approximately RMB150 million)¹ which represented the fair value of the Residential Properties to be received from the Obligor should the Right to Purchase be exercised in the future, based on the valuation performed by RHL Appraisal Ltd., an independent valuer, on the fair value of the redevelopment land of approximately RMB190 million as at the date of the Disposal less cash consideration of RMB40 million. When the Disposal was conducted in 2015, the Consideration for the Disposal was RMB272 million which were to be settled as to RMB40 million in cash and as to RMB232 million by the Right to Purchase (i.e. worth of the Residential Properties to be delivered). As set out in the 2017 Interim Report, the Group was eyeing on enhancing further market shares and has implemented strategic acquisition plans to enrich its businesses and has new product intellectual properties to improve the product diversification for customer and design ability, thus accelerating the sales growth original brand products. In line with the statement in the 2017 Interim Report, the Group will continue to proactively seek and explore investment and business opportunities and assess potential acquisition opportunities when they arise in order to broaden the Group’s asset and income bases and achieve sustainable development in the long run, the Loan provides an opportunity for the Group to leverage on the Right to Purchase in securing financing for the Group with ease and to conduct future business development.

The terms of the Loan Agreement were arrived at by the parties thereto after arm’s length negotiations, with reference to the commercial and market practices, the Loan principal, the Pledge and the Option. Based on the aforesaid, the Directors consider that the terms of the Loan Agreement to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

¹ According to the HK\$:RMB exchange rate adopted in the 2017 Interim Report

FINANCIAL EFFECTS OF THE OPTION AND PROPOSED USE OF PROCEEDS

In the event of the Lenders exercise the Option, the transfer of the Right to Purchase from the Borrower to the Lenders would constitute a disposal of assets of the Company. Based on the difference between the Loan principal of RMB225 million and the fair value of the Right to Purchase as at 30 June 2017 of RMB150 million, the Company is expected to recognise a gain of approximately RMB75 million before relevant expenses relating to the Option.

Upon the possible exercise of the Option, based on the Loan amount of RMB225 million and the associated costs of the Loan Agreement of approximately RMB0.15 million up to the date of this announcement, the Group is expected to receive net proceeds of approximately RMB224.85 million from the possible exercise of the Option by the Lenders. The Group intends to use the proceeds as to 50% for the implementation of strategic acquisition plans and as to 50% for general working capital of the Group.

LISTING RULES IMPLICATIONS

As the Option is not exercisable at the discretion of the Company, in accordance with Rule 14.74 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Option will be treated as if it has been exercised at the time of its grant. As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Option exceeds 5% but is less than 25%, the Option constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders’ approval requirements pursuant to Chapter 14 of the Listing Rules.

By order of the Board
Matrix Holdings Limited
Cheng Yung Pun
Chairman

Hong Kong, 8th January 2018

As at the date hereof, the Board comprises Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Mr. Leung Hong Tai, Mr. Tsang Chung Wa, Mr. Tse Kam Wah and Mr. Yu Sui Chuen, as executive Directors; and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei as independent non-executive Directors.

For illustration purpose of this announcement, the exchange rate of RMB1 = HK\$1.18.

** For identification purpose only*