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**PERFECTECH INTERNATIONAL HOLDINGS LIMITED**

**威發國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock code: 0765)

**CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
APPROXIMATELY 11.80% EQUITY INTERESTS IN  
FAREASTERN TRADE LIMITED**

Financial Adviser to the Company



INCU Corporate Finance Limited

**THE AGREEMENT**

The Board is pleased to announce that on 18 February 2011 (after trading hours), PIML entered into the Agreement with the Vendor and the Guarantor in relation to the Acquisition, pursuant to which, PIML, as the Purchaser, conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Shares, representing approximately 11.80% issued share capital of the Target, a non-wholly-owned subsidiary of the Company, at the Consideration of HK\$4,638,000. The Consideration was funded by internal resources of the Company.

Completion took place upon the signing of the Agreement on 18 February 2011, upon which the Company through its wholly-owned subsidiary, PIML, becomes indirectly interested in approximately 88.00% equity interests in the Target.

**GENERAL**

The Vendor is a substantial shareholder of the Target, being a non-wholly-owned subsidiary of the Company. The Guarantor is a director of each of the Target, the Vendor, the Purchaser and is the ultimate beneficial owner of the Vendor. Therefore, each of the Vendor and the Guarantor is regarded as a connected person to the Company (as defined under Chapter 14A of the Listing Rules). Accordingly, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios are more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

*\* for identification purpose only*

## **THE ACQUISITION**

Prior to Completion, the Target was beneficially owned as to approximately 76.20% by PIML and 23.80% by the Vendor respectively.

The Board is pleased to announce that on 18 February 2011 (after trading hours), PIML entered into the Agreement with the Vendor and the Guarantor in relation to the Acquisition, pursuant to which, PIML, as the Purchaser, agreed to acquire and the Vendor agreed to dispose of the Sale Shares, representing approximately 11.80% issued share capital of the Target, a non-wholly-owned subsidiary of the Company, at the Consideration of HK\$4,638,000.

Therefore, upon Completion, the Company through its wholly-owned subsidiary, PIML, becomes indirectly interested in approximately 88.00% equity interests in the Target and that the remaining equity interests of approximately 12.00% of the Target is beneficially owned by the Vendor. Summarised below are the principal terms of the Agreement.

## **THE AGREEMENT**

Date: 18 February 2011 (after trading hours)

Parties: (i) Purchaser: PIML

(ii) Vendor: Close Contact Agents Limited, a substantial shareholder of the Target holding approximately 23.80% issued share capital of the Target, being a connected person of the Company

(iii) Guarantor: Mr. Lo Wing Wai, who is interested in the entire issued share capital of the Vendor

The Vendor is a substantial shareholder of the Target, being a non-wholly-owned subsidiary of the Company. The Guarantor is a director of each of the Target, the Vendor, the Purchaser, and is the ultimate beneficial owner of the Vendor. Therefore, each of the Vendor and the Guarantor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

### **Subject of the Acquisition**

The Sale Shares, representing approximately 11.80% of the total issued share capital of the Target.

### **Consideration**

The Consideration for the Acquisition is HK\$4,638,000 and was settled by cash on Completion. The Consideration was determined after arm's length negotiations between the Group and the Vendor and (i) is based on approximately 4.5 times of the average unaudited profit attributable to owners of the Target Group for the years ended 31 December 2006, 2007, 2008 and 2009 of approximately HK\$8,735,000; and (ii) has taken into account the steady income sources from the Target Group contributing directly and positively to the financial results of the Group.

Having considered the benefits that (i) the Group would increase the equity interests in the Target; (ii) the Acquisition helps to consolidate and reinforce the control of the Target Group which will enhance the flexibility in decision making and implementation of policies efficiently; and (iii) the Acquisition is in line with the overall business strategy of the Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition (including the Consideration) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration was funded by internal resources of the Company.

### **Guarantee**

The Guarantor has guaranteed to the Purchaser to procure the due and punctual performance by the Vendor of all the obligations imposed on it under the Agreement.

### **Completion**

Completion has taken place upon signing of the Agreement.

## **INFORMATION ON THE TARGET GROUP**

The Target is a company incorporated in the British Virgin Islands on 28 May 1993 with limited liability. Prior to Completion, the Target is beneficially owned as to approximately 76.20% by the Purchaser and thus is a non-wholly owned subsidiary of the Company. The Target Group is principally engaged in (i) the manufacturing of plastic injection moulds for plastic toys and electrical appliances; and (ii) the provision of technical services involving high precision injection assembly of such moulds.

The Target and the Company (through its wholly-owned subsidiary) holds 20% and 80% equity interests in Mars Technology Limited respectively, whose subsidiaries are principally engaged in the manufacture of OEM toys for one of the largest toy manufacturers in Japan.

The original purchase costs of the Sale Shares to the Vendor was approximately US\$10,340 (equivalent to approximately HK\$80,652), being its contribution towards the issued share capital of the Target when the Sale Shares were allotted to the Vendor in 1995 and 1996 respectively.

As at the data of this announcement, Mr. Lo Wing Wai is the director of the Target. Upon Completion, Mr. Lo Wing Wai will continue to be the director of the Target.

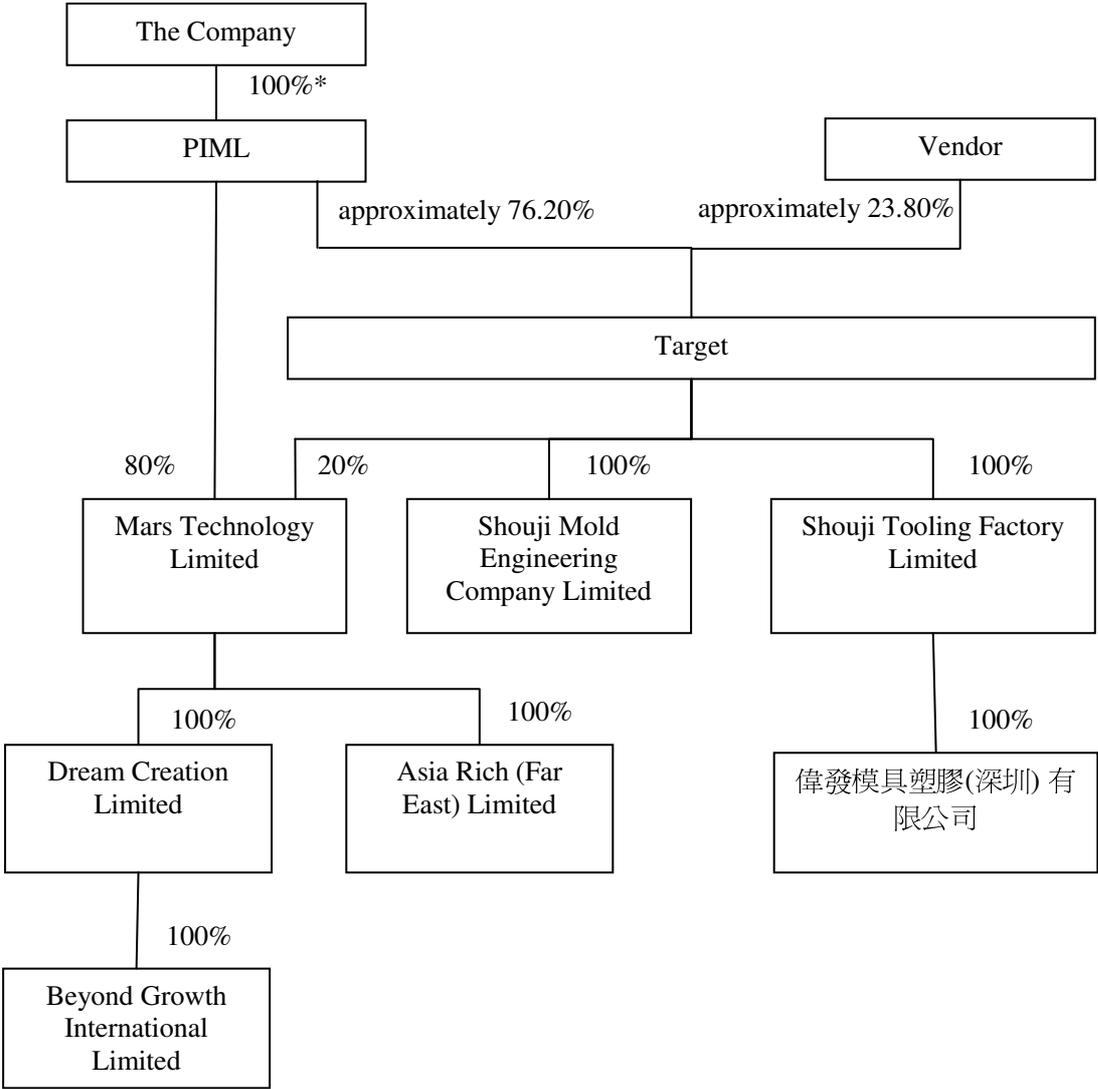
Set out below is the financial information of the Target based on the unaudited consolidated financial statements of the Target prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants:

	Year ended 31 December 2008 (unaudited) HK\$'000	Year ended 31 December 2009 (unaudited) HK\$'000
Turnover	44,803	43,838
Net profit before taxation	4,389	9,896
Net profit after taxation	4,191	9,451
	As at 31 December 2008 (unaudited) HK\$'000	As at 31 December 2009 (unaudited) HK\$'000
Net asset value	28,431	34,903

**Group Structure**

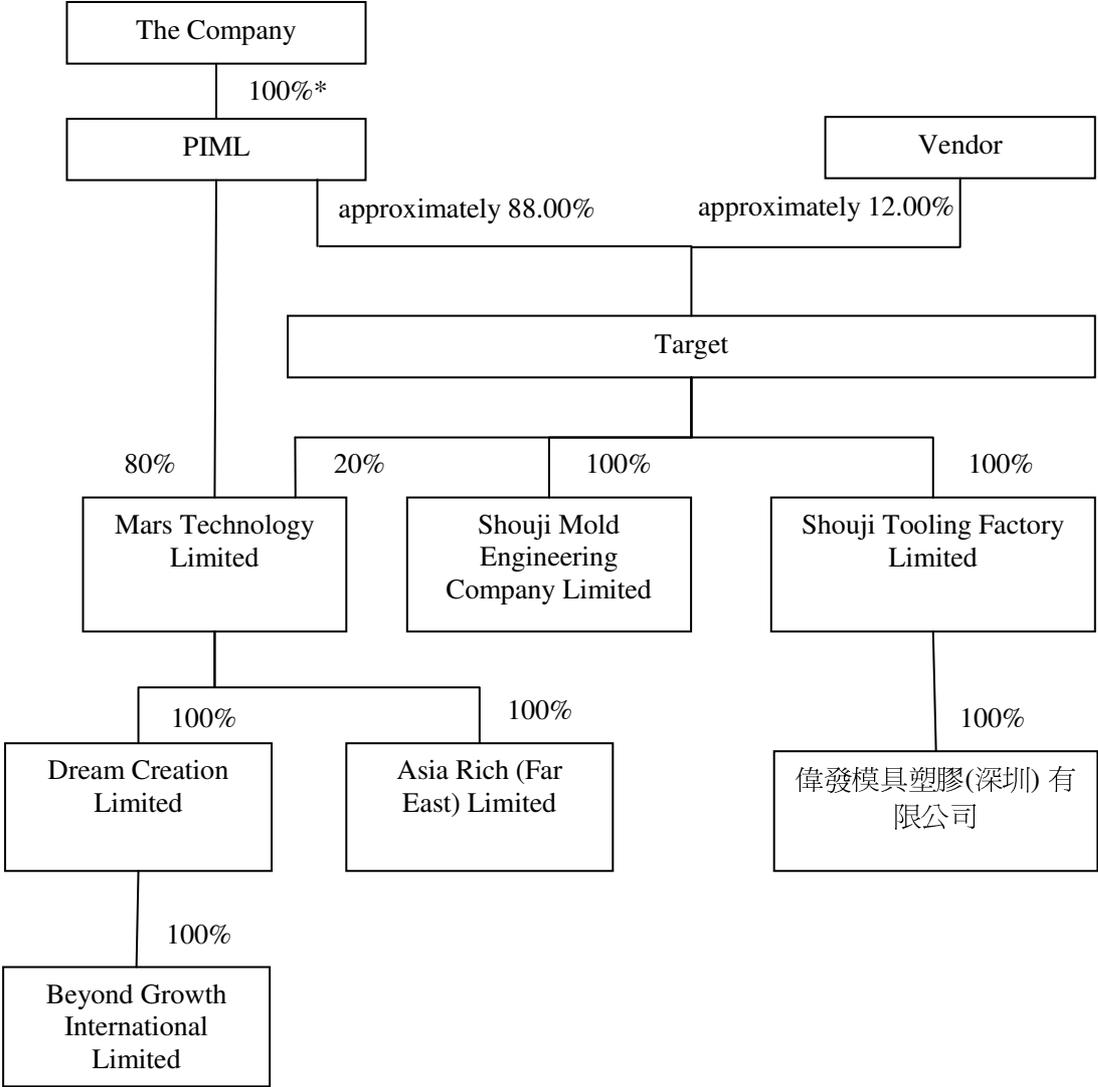
The following chart shows the group structure of the Target immediately before and after the Completion:

*Simplified shareholding structure – as at the date of this announcement*



\* indirect interests

*Simplified shareholding structure – upon Completion*



\* indirect interests

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the manufacture and sale of novelties, decorations, packaging and toys products, and the trading of PVC films and plastic materials.

The Directors are of the view that the Acquisition will enable the Group to maximize its share of profits to be derived from the business of Target Group in the future.

The Target Group, contributed approximately 10.78% and 21.59% of the consolidated turnover and the consolidated net profit before tax of the Group for the year ended 31 December 2009 respectively. It is expected that further growth and expansion of the business of the Target Group will continue.

Having considered the Target Group's significant contribution to the Group's financial performance since the acquisition of PIML in December 2003 as disclosed in the announcements of the Company dated 24 October 2003 and 11 December 2003, the Consideration which represents approximately 4.5 times of the average unaudited profit attributable to owners of the Target Group for the years ended 31 December 2006, 2007, 2008 and 2009 of approximately HK\$8,735,000, and the expected growth of the business of the Target Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Vendor is a substantial shareholder of the Target, being a non-wholly-owned subsidiary of the Company. The Guarantor is a director of each of the Target, the Vendor, the Purchaser and is the ultimate beneficial owner of the Vendor. Therefore,, each of the Vendor and the Guarantor is regarded as a connected person of the Company (as defined under Chapter 14A of the Listing Rules). Accordingly, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition calculated in accordance with Chapter 14A of the Listing Rules are more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the Acquisition and none of the Directors is required to abstain from voting on the relevant Board resolution approving the Acquisition.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares pursuant to the Agreement
“Agreement”	the agreement dated 18 February 2011 entered into among PIML, the Vendor and the Guarantor in relation to the Acquisition
“Board”	the board of Directors
“Company”	Perfectech International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person”	has the meanings as ascribed under the Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$4,638,000
“Directors”	directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PIML” or “Purchaser”	Perfectech International Manufacturing Limited, a company incorporated in British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, and the purchaser to the Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Lo Wing Wai, a Hong Kong citizen, by virtue of being the ultimate beneficial owner of the Vendor and the director of each of the Target, the Vendor and the Purchaser, is a connected person of the Company.
“Target”	Fareastern Trading Limited a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Sale Shares”	10,340 shares of US\$1.00 each in the issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares in the issued capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Close Contact Agents Limited, a company incorporated in the British Virgin Islands with limited liability, the ultimate beneficial owner of which is the Guarantor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

On behalf of the board of  
**Perfectech International Holdings Limited**  
**Poon Siu Chung**  
*Chairman and Managing Director*

Hong Kong, 18 February 2011

*As at the date of this announcement, the Board is composed of Mr. Poon Siu Chung, Mr. Ip Siu On, Mr. Tsui Yan Lee, Benjamin and Dr. Poon Wai Tsun, William as executive Directors, Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David as independent non-executive Directors.*