

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 part of the contents of this announcement.



PERFECTECH INTERNATIONAL HOLDINGS LIMITED

威發國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00765)

**MAJOR TRANSACTION IN RELATION TO DISPOSAL OF
ENTIRE ISSUED SHARE CAPITAL OF
AND THE SALE LOAN OWED BY THE TARGET COMPANY**

Financial Advisor to the Company



INCUCO Corporate Finance Limited

THE DISPOSAL

On 24 September 2020 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan at the initial Consideration of HK\$66,800,000.

THE LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

* *For identification purpose only*

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of his/her/its close associates has any material interest in the Disposal and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Disposal. Written approval of the Disposal has been obtained from Shareholders who together hold more than 50% of the issued share capital of the Company. On the basis that such Shareholders form a closely allied group of Shareholders, their written approval has been accepted in lieu of holding a general meeting for the approval of the Disposal pursuant to Rule 14.44 of the Listing Rules and no general meeting of the Company will be convened for the purpose of approving the Disposal.

GENERAL

A circular of the Company containing, among other matters, further details of the Disposal; the valuation report of the Properties and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 October 2020. If additional time is required for preparing the circular, the Company may apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

As Completion is subject to the fulfillment of the conditions precedent under the Disposal Agreement, the Disposal may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

THE DISPOSAL

On 24 September 2020 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan at the initial Consideration of HK\$66,800,000.

THE DISPOSAL AGREEMENT

Set out below are the principal terms of the Disposal Agreement:

Date

24 September 2020

Parties

Purchaser: Grand Oasis Ventures Limited

Vendor: Perfectech International (B.V.I.) Limited, a wholly-owned subsidiary of the Company

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Asset to be disposed of

Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan. The Sale Share represents the entire issued share capital of the Target Company. As at the date of this announcement and assuming the Debt Restructuring have been completed, the amount of the Sale Loan is approximately HK\$76,144,000.

Consideration

The initial Consideration for the sale and purchase of the Sale Share and the Sale Loan shall be an aggregate sum of HK\$66,800,000, which shall be apportioned as follows:

- (a) the consideration for the assignment of the Sale Loan shall be the face value of the Sale Loan as at the Completion Date but if the face value of the Sale Loan is larger than the Consideration, it shall become HK\$1.00 only; and
- (b) the consideration for the transfer of the Sale Share shall be the amount of the Consideration less the consideration for the assignment of the Sale Loan as set out in (a) above.

The Consideration shall be payable by the Purchaser to the Vendor in cash in the following manner:

- (1) a refundable deposit of HK\$6,680,000 (the "**First Deposit**") has been paid upon the signing of the Disposal Agreement;
- (2) a refundable deposit of HK\$20,040,000 (the "**Second Deposit**") shall be paid within 30 days from the date of the Disposal Agreement; and
- (3) the balance of the Consideration in the sum of HK\$40,080,000 shall be paid upon Completion.

Adjustment to the Consideration

The amount of the Consideration shall be adjusted according to the following formula:

$$A = \text{HK\$}66,800,000 + B - C$$

Where:

A is the adjusted Consideration;

B is the current assets of the Target Group appearing in the Completion Accounts; and

C is the liabilities of the Target Group appearing in the Completion Accounts (excluding the Sale Loan).

Provided always that the maximum amount of the Consideration shall not exceed HK\$70,000,000.

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiation and on normal commercial terms, with reference to (i) the preliminary valuation of the Properties as at 31 August 2020 conducted by an independent valuer in the amount of HK\$70,000,000; (ii) recent prevailing market conditions of the property market in Hong Kong; and (iii) the benefits to the Group from the Disposal as described under the section headed "Reasons for and benefits of the Disposal and use of proceeds" below. The Company will include the valuation report of the Properties in the circular to be despatched to the Shareholders.

The Board considers that the Consideration, which was arrived at after arm's length negotiation, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Lease of Property B

On or before Completion, Sunflower and Yu-Me will enter into the New Tenancy Agreement, whereby Sunflower will let Property B to Yu-Me for a term of three years at a monthly rent of HK\$70,000 and with an option for a further term of three years at a monthly rent not less than HK\$90,000 exercisable at the option of Yu-Me.

Conditions precedent

Completion shall be subject to and conditional upon:

- (a) the Vendor having shown and proved that Sunflower has a good title to Property A and Property B in accordance with Sections 13 of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong) free from all Encumbrances;

- (b) the Purchaser having completed the due diligence review and been reasonably satisfied with the results thereof;
- (c) the obtaining of the written shareholders' approval from the shareholders of the Company holding more than 50% of the issued share capital of the Company to approve the Disposal Agreement and the transactions contemplated thereunder as required under the Listing Rules;
- (d) all the representations, warranties, undertakings made or given by the Vendor to the Purchaser under the Disposal Agreement remaining true and accurate in all respects from the date thereof up to and immediately before Completion;
- (e) the release and discharge of the mortgages, legal charges and rental assignments subsisting over the Properties;
- (f) the entering into of the surrender agreement in respect of the Existing Tenancy Agreement B;
- (g) the entering into the New Tenancy Agreement;
- (h) completion of the Reorganisation;
- (i) the Target Group having completed the Debt Restructuring;
- (j) the Company having complied with the Listing Rules and all applicable laws and regulations in respect of the transactions contemplated hereunder;
- (k) there being no compulsory acquisition or notice or order of intended resumption and acquisition by the government or any other competent authority affecting the Properties or any part thereof or otherwise adversely affecting the Properties or any part thereof; and
- (l) there being no circumstance which has rendered any warranties to be false and resulting in a material adverse change (or effect) on (i) the Properties, (ii) the Target Group, and/or (iii) the transactions contemplated under the Disposal Agreement.

The Purchaser may at any time waive (in whole or in part) the condition referred to in paragraph (b), (d), (g) and (h) above at its sole and reasonable discretion. The other conditions set out above are incapable of being waived.

If the conditions set out above have not been satisfied (or as the case may be, waived by the Purchaser) on or before 5:00 p.m. on 29 January 2021 (or such date as the Vendor and the Purchaser may agree in writing), the Disposal Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof and the Vendor shall forthwith return the Deposits (without interest) to the Purchaser in full.

Completion

Subject to the fulfilment (or wavier) of all the above conditions, Completion shall take place on the Completion Date.

INFORMATION OF THE TARGET GROUP AND THE PROPERTIES

As at the date of this announcement, the Target Group consists of the Target Company and Sunflower.

The Target Company

The Target Company is an investment holding company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of the Vendor.

Sunflower

Sunflower is a company incorporated in Hong Kong with limited liabilities and is a direct subsidiary of the Target Company. Sunflower is principally engaged in securities and property investment and its principal assets are Property A and Property B.

As at the date of this announcement, Sunflower has (i) 2 ordinary shares in issue which are fully paid up or credited as fully paid and are owned by the Target Company; and (ii) 160,000 non-voting deferred shares in issue which are fully paid or credited as fully paid and are owned by four individuals. Upon completion of the Reorganisation (being one of the conditions precedents to Completion), the abovementioned 2 ordinary shares and 160,000 non-voting deferred shares will be beneficially owned by the Target Company.

As at the date of this announcement certain mortgages, legal charges and rental assignments are subsisting over the Properties. Pursuant to the terms and conditions of the Disposal Agreement, Completion is subject to the release and discharge of such mortgages, legal charges and rental assignments.

Property A

Property A is located at Units C & D, 9/F, Sing Teck Factory Building, 44 Wong Chuk Hang Road, Aberdeen, Hong Kong. Currently, Property A, being classified as investment property in the consolidated financial statements of the Group, is let to a tenant which is an Independent Third Party at a monthly rent of HK\$67,920 for a term ending 31 March 2022.

Property B

Property B is located at Units 1 & 2, 15/F, Sun Hing Industrial Building, 46 Wong Chuk Hang Road, Aberdeen, Hong Kong. Currently, Property B, being classified as property, plant and equipment in the consolidated financial statements of the Group, is used as head office and principal place of business of the Group in Hong Kong.

Financial Information of the Target Group

Set out below is a summary of the key financial data of the Target Group based on the unaudited consolidated management accounts for the two financial years ended 31 December 2019:

	For the Year ended 31 December 2018 (unaudited) <i>HK\$'000</i>	For the Year ended 31 December 2019 (unaudited) <i>HK\$'000</i>
Revenue	660	1,386
Loss before tax	(2,194)	(3,569)
Loss after tax	(2,559)	(3,569)

The unaudited consolidated total assets value and the net liabilities of the Target Group as at 31 August 2020 were approximately HK\$80.07 million and HK\$5.16 million respectively.

FINANCIAL EFFECT OF THE DISPOSAL

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Company. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following Completion.

Assuming there is no adjustment on the amount of the Consideration and subject to further audit procedures to be performed by the auditors of the Company, based on the estimated net proceeds from the Disposal of approximately HK\$66.2 million (being the gross proceeds of the Consideration of HK\$66.80 million deducting the estimated professional fees attributable to the Disposal of approximately HK\$0.60 million) and the unaudited net liabilities of the Target Group and the Sale Loan, in aggregate of approximately HK\$70.98 million as at 31 August 2020, it is estimated that the Group will record a loss of approximately HK\$4.78 million from the Disposal. Shareholders should note that the actual amount of the gain or loss to be recorded by the Company depends on the net asset/net liability value of the Target Group as at the Completion Date and therefore may be different from the amount mentioned above.

INFORMATION OF THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in the manufacture and sale of novelties, decoration and toy products.

INFORMATION OF THE VENDOR

The Vendor, a company incorporated in the BVI with limited liability, is a wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in BVI with limited liability and principally engaged in investment holding. It is ultimately and beneficially owned as to 70% by Mr. Lau Kim Hung Jack and 30% by Mr. Chan Francis Ping Kuen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

Having considered recent downturn of property price and property market conditions in Hong Kong, the Directors believe that the property market outlook remains gloomy in the near future. Therefore, the Directors are of the view that the Disposal is a good opportunity for the Group to realise its investment before further market downturn. Meanwhile, the Directors are aware that Property B is currently used as the Group's principal place of business in Hong Kong. On or before Completion, Sunflower will let Property B to Yu-Me for a term of three years at a monthly rent of HK\$70,000 and with an option for a further term of three years at a monthly rent of not less than HK\$90,000 exercisable at the option of Yu-Me such that the Disposal will have minimal impact to the Group's operations.

The Group intends to apply the net proceeds from the Disposal of (i) approximately HK\$47 million for repayment of amount due to a director of subsidiaries of the Company and the interests to be accrued thereon; (ii) approximately HK\$5 million for repayment of banking borrowings; and (iii) the remaining balance of approximately HK\$14.2 million for general working capital of the Group.

Having considered the above, the Directors are of the view that the Disposal is fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceeds 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of his/her/its close associates has any material interest in the Disposal and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the Listing Rules if the

Company were to convene a general meeting for the approval of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposal will be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approval of the Disposal; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Disposal.

Each of Star Fly Limited and Fresh Choice Holdings Limited, being the substantial shareholders holding 125,297,040 Shares and 119,297,041 Shares or approximately 38.33% and 36.49% of the total issued Shares as at the date of this announcement respectively, has given written approvals of the Disposal. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Disposal.

GENERAL

A circular of the Company containing, among other matters, further details of the Disposal, the valuation report of the Properties and other information as required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 October 2020. If additional time is required for preparing the circular, the Company may apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

As the Completion is subject to the fulfillment of the conditions precedent under the Disposal Agreement, the Disposal may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

“Board”	board of the Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Perfectech International Holdings Limited (威發國際集團有限公司 [#]), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 765)

“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Accounts”	the unaudited consolidated statement of financial position of the Target Company and Sunflower as at the Completion Date (but immediately before Completion) and the unaudited consolidated statement of profit or loss and other comprehensive income of the Target Company and Sunflower for the period commencing from 1 January 2020 to the Completion Date (but immediately before Completion) to be prepared in accordance with generally accepted accounting principles, standards and practices in Hong Kong by the Vendor and the Target Group for delivery to the Purchaser prior to Completion certified by the Vendor
“Completion Date”	date of Completion which shall be within ten (10) Business Day after the fulfilment (or as appropriate, waiver) of conditions set out in the Disposal Agreement or such other date as the Vendor and the Purchaser may agree in writing
“Consideration”	the consideration payable by the Purchaser for the Disposal, which amounts to HK\$66,800,000 initially and subject to adjustment in accordance with the terms and conditions of the Disposal Agreement
“Debt Restructuring”	the debt restructuring of the Target Group, pursuant to which the Target Group will undergo a series of debt assignments and novations so that all the liabilities, obligations and indebtedness currently owed by any member of the Target Group to the Company and/or its subsidiaries will be assigned and novated such that all such liabilities, obligations and indebtedness will be owed by the Target Company to the Vendor
“Deposits”	collectively, the First Deposit and the Second Deposit; and where the context requires, can mean either one of them
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share and the Sale Loan by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 24 September 2020 entered into between the Purchaser and the Vendor relating to the Disposal

“Encumbrances”	any mortgage, charge, pledge, lien, rental assignment, priority or security interest, third party interest, other encumbrances whatsoever over or in any property, assets or rights whatsoever nature and includes any agreement for any of the same, for the avoidance of doubt, excluding the transactions contemplated under the Existing Tenancy Agreement A and the New Tenancy Agreement, and the Superseding Order
“Existing Tenancy Agreement A”	the tenancy agreement dated 28 January 2019, pursuant to which Sunflower agreed to let Property A to a tenant which is an Independent Third Party at a monthly rent of HK\$67,920 for a term of three years commenced on 1 April 2019 and ending on 31 March 2022 (subject to break clause thereof)
“Existing Tenancy Agreement B”	the tenancy agreement dated 5 March 2019, pursuant to which Sunflower agreed to let Property B to Yu-Me at a monthly rent of HK\$60,000 for a term of three years commenced on 1 January 2019 and ending on 31 December 2021 (subject to break clause thereof)
“First Deposit”	has the meaning ascribed thereto under the paragraph headed “Consideration” in the section headed “the Disposal Agreement” of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“New Tenancy Agreement”	the tenancy agreement in the agreed form to be entered into between Sunflower as landlord and Yu-Me as tenant, pursuant to which Sunflower shall let Property B to Yu-Me at the monthly rent of HK\$70,000 and for a term of three years and with an option for a further term of three years at a monthly rent not less than HK\$90,000 exercisable at the option of Yu-Me

“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
“Properties”	Property A and Property B
“Property A”	Units C & D, 9/F, Sing Teck Factory Building, 44 Wong Chuk Hang Road, Aberdeen, Hong Kong
“Property B”	Units 1 & 2, 15/F, Sun Hing Industrial Building, 46 Wong Chuk Hang Road, Aberdeen, Hong Kong
“Purchaser”	Grand Oasis Ventures Limited
“Reorganisation”	the acquisition by the Target Company of the 160,000 non-voting deferred shares in Sunflower from four individuals
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
“Sale Share”	one issued share of US\$1.00 in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“Second Deposit”	has the meaning ascribed thereto under the paragraph headed “Consideration” in the section headed “the Disposal Agreement” of this announcement
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunflower”	Sunflower Garland Manufactory Limited (順發聖誕製品有限公司), a private limited company incorporated in Hong Kong and an indirect subsidiary of the Company

“Superseding Order”	the Superseding Order No. INVO00062/HK/17/TA dated 11 September 2017 and issued by the Building Authority under section 26A(1) of the Buildings Ordinance (Cap. 123 of the laws of Hong Kong) and under section 46 of the Interpretation and General Clauses Ordinance (Cap. 1 of the laws of Hong Kong) to The Incorporated Owners of Sing Teck Factory Building and registered in the Land Registry by the Memorial No. 17101201000143
“Target Company”	Perfect Skill Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Group”	the Target Company and Sunflower
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor”	Perfectech International (B.V.I.) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Yu-Me”	Yu-Me (H.K.) Limited, a company incorporated in the Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

The Chinese transliteration of the English names in this announcement, where indicated, is included for information only, and should not be regarded as the official Chinese names of such English names.

By order of the Board
Perfectech International Holdings Limited
Zhu Yuqi
Chairman

Hong Kong, 24 September 2020

As at the date of this announcement, the Board is composed of Mr. Li Shaohua and Mr. Poon Wai Yip, Albert as executive Directors, Ms. Zhu Yuqi as non-executive Director and Mr. Xie Xiaohong, Mr. Lau Shu Yan and Mr. Qin Feng as independent non-executive Directors.