

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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 in limited liability)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

FINANCIAL ADVISER



INCU Corporate Finance Limited

PLACING AGENT Phoenix Capital Securities Limited

On 5 January 2004, Mime entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed with Mime to place 21,000,000 existing Shares at the Placing Price on behalf of Mime with not less than six investors independent of, not connected with nor acting in concert with any of the directors, chief executives and substantial shareholders of the Company or any of its subsidiaries or their respective associates, on a fully underwritten basis.

On the same date, Mime entered into the Subscription Agreement with the Company for the subscription of 21,000,000 new Shares at the Placing Price. The Subscription is conditional upon, among other things, (i) the granting of the listing of, and permission to deal in, the Subscription Shares by the Listing Committee of the Stock Exchange; (ii) the completion of the Placing; and (iii) the Executive granting Mime and parties acting in concert with it the waiver from obligation to make general offer under Rule 26.1(c) of the Takeovers Code as a result of the completion of the

Subscription. An application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

The Placing Price represents (i) a discount of approximately 15% to the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on 5 January 2004, being the last trading day before the date of this announcement; and (ii) a discount of approximately 5.56% to the average closing price of approximately HK\$0.72 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 5 January 2004. The Placing Price was arrived at after arm's length negotiations between the Company, Mime and the Placing Agent. The Directors consider that the Placing Price and the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Placing Shares represent approximately 7.45% and the Subscription Shares represent approximately 7.45%, of the existing issued share capital of the Company. The Placing Shares represent approximately 6.94% and the Subscription Shares represent approximately 6.94%, of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. As at the date of this announcement, the Group has no specific projects or plans which require the application of the net proceeds resulting from the Subscription. The net proceeds of the Subscription of about HK\$13,708,800 will therefore be applied as the general working capital of the Group.

After completion of the Placing, the percentage of the voting rights in the Company held by Mime and parties acting in concert with it will be reduced from approximately 38.33% to 30.88%. Upon completion of the Subscription, the voting rights in the Company held by Mime and parties acting in concert with it will then increase from approximately 30.88% to 35.68%, thereby triggering the obligation to make a mandatory general offer for all the Shares not held by Mime and parties acting in concert with it under Rule 26.1(c) of the Takeovers Code.

An application will be made to the Executive for a waiver from the obligation of Mime and parties acting in concert with it to make a general offer under Rule 26.1(c) of the Takeovers Code.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 6 January 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares at 9:30 a.m. on 8 January 2004.

PLACING AGREEMENT DATED 5 JANUARY 2004

Pursuant to the Placing Agreement, the Placing Agent agreed with Mime to place 21,000,000 existing Shares on behalf of Mime at the Placing Price. Details of the Placing are set out below.

The Vendor

Mime is a substantial shareholder currently holds in total approximately 36.12% of the existing issued share capital of the Company. As at the date of this announcement, Mr. Poon personally holds 6,232,000 Shares and beneficially owns 11 shares of Mime, representing 55% of entire issued share capital of Mime and Mrs. Poon beneficially owns 9 shares of Mime, representing 45% of entire issued share capital of Mime. Immediately before the Placing, Mime, together with Mr. Poon

and Mrs. Poon, held in total approximately 38.33% of the existing issued share capital of the Company.

The Placing Agent

Phoenix Capital Securities Limited has been appointed to place the Placing Shares on a fully underwritten basis. Save and except that Mr. Poon is interested in approximately 2% of the entire issued share capital of Phoenix Capital Holdings Limited, the holding company of Phoenix Capital Securities Limited, the Placing Agent is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The Placees

The Placing Shares shall be placed to not less than six investors. The placees and their ultimate beneficial owners shall be independent of and not connected with and not acting in concert with any directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. The placees and their ultimate beneficial owners shall also be independent of and not connected with and not acting in concert with Mime or any party connected or acting in concert with it.

Number of Placing Shares

The Placing Shares represent approximately 7.45% of the existing issued share capital of the Company and approximately 6.94% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Placing Price

The Placing Price of HK\$0.68 represents:

- (i) a discount of approximately 15% to the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on 5 January 2004, being the last trading day before the date of this announcement; and
- (ii) a discount of approximately 5.56% to the average closing price of approximately HK\$0.72 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 5 January 2004.

The Placing Price was arrived at after arm's length negotiations between the Company, Mime and the Placing Agent with reference to the closing prices as shown above. The Directors consider that the Placing Price and the terms of the Placing Agreement and Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Rights

The Placing Shares will be sold free of any liens, charges, encumbrances and other third party rights.

Completion of the Placing

The Placing is unconditional and completion of the Placing is expected to take place on or before 12 January 2004.

SUBSCRIPTION AGREEMENT DATED 5 JANUARY 2004

The Issuer

The Company

The Subscriber

Mime, which, as at the date of this announcement, is interested in approximately 36.12% of the existing issued share capital of the Company. Immediately before the Placing, Mime, together with Mr. Poon and Mrs. Poon held in total approximately 38.33% of the existing issued share capital of the Company. Immediately after the Placing, the total shareholding of Mime and parties acting in concert with it will be reduced to approximately 30.88% of the existing issued share capital of the Company. The Subscription will then increase the total shareholding of Mime and parties acting in concert with it to approximately 35.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Number of Subscription Shares

The number of Subscription Shares shall be 21,000,000 Shares. The Subscription Shares represent approximately 7.45% of the existing issued share capital of the Company and approximately 6.94% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The subscription price is HK\$0.68 per Subscription Share, which is equivalent to the Placing Price. The Company will bear all costs and expenses of the Subscription and will reimburse Mime all costs and expenses incurred by Mime in respect of the Placing.

Rights

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares are to be issued under the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 12 May 2003.

Conditions of the Subscription

The Subscription is conditional upon the following conditions having been fulfilled by 16 January 2004 (or such other date as may be agreed between the Company and Mime):

- (i) the completion of the Placing pursuant to the Placing Agreement;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (iii) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Subscription Shares; and
- (iv) the Executive granting Mime and parties acting in concert with it the waiver from their obligation to make a general offer under Rule 26.1(c) of the Takeovers Code as a result of the completion of the Subscription.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, neither the Company nor Mime shall have any obligations and liabilities under the Subscription.

Completion of the Subscription

Completion of the Subscription will take place on the next business day after the conditions of the Subscription are fulfilled. The Subscription must be

completed on or before 19 January 2004, being 14 days from the date of the Placing Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require a separate announcement to be made and approval of the independent Shareholders.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding in the Company as a result of the Placing and the Subscription are as follows:

At the date of this announcement and immediately before completion of the Placing and the Subscription	Immediately after completion of the Placing but before completion of the Subscription	Immediately after completion of the Placing and the Subscription
---	--	---

Shareholders	(Approximate)	(Approximate)	(Approximate)
Mime and parties acting in concert with it	107,989,630 (38.33%) <i>(note 1)</i>	86,989,630 (30.88%)	107,989,630 (35.68%)
Nielsen Ltd.	63,097,200 (22.40%) <i>(note 2)</i>	63,097,200 (22.40%)	63,097,200 (20.84%)
Ip Siu On	9,803,600 (3.48%)	9,803,600 (3.48%)	9,803,600 (3.24%)
Tsui Yan Lee, Benjamin	7,111,000 (2.52%)	7,111,000 (2.52%)	7,111,000 (2.35%)
Ng Siu Yu	880,000 (0.31%)	880,000 (0.31%)	880,000 (0.29%)
The placees	-	21,000,000 (7.45%)	21,000,000 (6.94%)
Public (other than the placees)	92,820,177 (32.96%)	92,820,177 (32.96%)	92,820,177 (30.66%)
Total	281,701,607 (100%)	281,701,607 (100%)	302,701,607 (100%)

Note 1: Mr. Poon and Mrs. Poon are beneficially interested in 55% and 45% of the entire issued share capital of Mime respectively.

Note 2: Mr. Leung Ying Wai, Charles has a corporate and family interest in 63,097,200 Shares, representing more than 10% of the Shares. The said Shares are owned by Nielsen Limited, a limited company incorporated in Hong Kong and owned by Mr. Leung Ying Wai, Charles and his family members.

OBLIGATION TO MAKE GENERAL OFFER

After completion of the Placing, the percentage of the voting rights in the Company held by Mime and parties acting in concert with it will be reduced from approximately 38.33% to approximately 30.88%. Upon completion of the Subscription, the voting rights in the Company held by Mime and parties acting in concert with it will then increase from approximately 30.88% to approximately 35.68%, thereby triggering the obligation to make a mandatory general offer for all the Shares not already held by Mime and parties acting in concert with it under Rule 26.1(c) of the Takeovers Code.

An application will be made to the Executive for a waiver under note 6 to the notes on dispensations from Rule 26 of the Takeovers Code from the obligation of Mime and parties acting in concert with it to make a general offer under Rule 26.1(c) of the Takeovers Code.

REASONS FOR THE PLACING AND SUBSCRIPTION

The Group is principally engaged in sales and manufacturing of novelties, festival decorations, packaging products and PVC film trading and plastic materials.

Taking into account the current market conditions and the recent performance of the closing prices of the Shares, the Board considers that it is beneficial to the Company and the Shareholders to capitalise this opportunity to raise capital for the future business development of the Group by way of the Placing and the Subscription. By the Placing and Subscription, the Group can raise capital for the Group to further strengthen its financial position. As at the date of this announcement, the Group has no specific projects or plans which require the application of the net proceeds resulting from the Subscription. The net proceeds of the Subscription of HK\$13,708,800 therefore will be used as the general working capital of the Group. The Directors consider that the Placing Agreement and Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company, Mime, the Placing Agent and that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Directors confirm that no fund raising exercise has been carried out for the past 12 months.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 6 January 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares at 9:30 a.m. on 8 January 2004.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

"associates"	has the meaning ascribed to this term under the Listing Rules
"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
"Directors"	directors (including the independent non-executive directors) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mime"	Mime Limited, a company incorporated in Hong Kong and a substantial Shareholder which is interested in approximately 36.12% of the entire issued share capital of the Company immediately before the completion of the Placing and the Subscription
"Mr. Poon"	Mr Poon Siu Chung, a Director and the Chairman of the Company
"Mrs. Poon"	Ms. Lau Kwai Ngor, the spouse of Mr. Poon
"Placing"	the placing of the Placing Shares by the Placing Agent on behalf of Mime pursuant to the Placing Agreement
"Placing Agent"	Phoenix Capital Securities Limited, a licensed corporation to carry on business in types 1 (dealing in securities), 2 (dealing in futures contracts) and 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Placing Agreement"	the placing agreement dated 5 January 2004 and entered into between Mime and the Placing Agent in respect of the Placing
"Placing Price"	the placing price of HK\$0.68 per Placing Share
"Placing Shares"	an aggregate of 21,000,000 Shares, which are beneficially owned by Mime and will be placed by the Placing Agent on its behalf pursuant to the Placing Agreement
"PRC"	the People's Republic of China, for the purpose of this Announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"PVC"	Poly Vinyl Chloride
"Share(s)"	ordinary share(s) of HK\$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Subscription"	the subscription for the Subscription Shares by Mime pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 5 January 2004 and entered into between the Company and Mime in respect of the Subscription
"Subscription Shares"	21,000,000 Shares for which Mime has conditionally agreed to subscribe pursuant to the Subscription Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Takeovers Code" the Hong Kong Code on Takeovers and Mergers

"HK\$" Hong Kong dollars, the lawful currency for the time being of Hong Kong

"%" per cent.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Announcement and confirm, having made all reasonably inquiries, that to the best of their knowledge, opinions expressed in this Announcement have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading.

By order of the board of directors of
Perfectech International Holdings Limited
Poon Siu Chung
Chairman

Hong Kong, 7 January 2004

** for identification purpose only*

Please also refer to the published version of this announcement in the Standard.