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## **FX CREATIONS INTERNATIONAL HOLDINGS LIMITED**

**豐盛創意國際控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8136)**

### **DISCLOSEABLE TRANSACTION: ACQUISITION OF ENTIRE EQUITY INTERESTS IN MAXITECH SYSTEM COMPANY LIMITED**

On 23 October 2006, the Purchaser entered into the Acquisition Agreement with the Vendors to acquire the Sale Shares for a total consideration of HK\$8.5 million.

Maxitech is principally engaged in the trading and distribution of recycled computers and related accessories and the provision of information technology consulting and related maintenance services in Hong Kong and the PRC.

The Acquisition constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules. A circular containing, among other things, details of the Acquisition will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

At the request of the Company, trading of the Shares has been suspended on the GEM from 9:30 a.m. on 24 October 2006 pending the release of the announcement. An application has been made to the Stock Exchange for the resumption of trading of Shares on the Stock Exchange with effect from 9:30 a.m. on 25 October 2006.

### **THE ACQUISITION AGREEMENT**

**Date:** 23 October 2006

**Parties:** (1) The Vendors (as vendors)  
(2) The Purchaser (as purchaser)

\* For identification purpose only

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase and the Vendors agreed to sell the Sale Shares subject to and upon the terms of the Acquisition Agreement.

### **The Sale Shares**

The Sale Shares comprise 1,000,000 shares of HK\$1.00 each in the share capital of Maxitech, representing the entire issued share capital of Maxitech. As at the date of this announcement, the Sale Shares are beneficially owned by the Vendors, as to 600,000 Sale Shares by Leung Sui Ping, Heidi, as to 200,000 Sale Shares by Yip Yung Kan and the remaining 200,000 Sale Shares by Yip Yuk Tong.

### **Consideration**

The consideration for the Acquisition is HK\$8.5 million which shall be satisfied by the Purchaser in the following manner:

- (a) HK\$2,000,000, being the deposit and the part payment towards the consideration for the Acquisition, shall be payable by the Purchaser to the Vendors in proportion to their respective shareholdings in Maxitech on the date of signing of the Acquisition Agreement;
- (b) HK\$2,000,000 shall be payable by the Purchaser to the Vendors in proportion to their respective shareholdings in Maxitech upon Completion;
- (c) HK\$1,746,000 shall be payable by the Purchaser in proportion to their respective shareholdings in Maxitech on or before the date falling two months immediately after Completion; and
- (d) HK\$2,754,000 by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendors in proportion to their respective shareholdings in Maxitech credited as fully paid, at the Issue Price, upon Completion.

The consideration was determined based upon a price earnings ratio ("**P/E Ratio**") of approximately 5.67 times of the Guaranteed Profit, which the Board considers to be fair and reasonable. Such P/E Ratio was determined by the Board with reference to the listed companies in Hong Kong which are engaged in business similar to Maxitech.

The Board reckons that a business where its earnings potential would mainly be derived from its trading activities and provision of services, which in turn were dependent upon the procurement and distribution channels secured, the determination of the consideration should be based upon an appropriate P/E Ratio. If determination of the consideration of this type of business is based upon its net asset value, it will not appropriately reflect its value.

Taken into consideration of the profit guarantee to be given by the Vendors as mentioned in the section headed "Profit Guarantee" below and the business opportunity to tap into the business sector of trading and distribution of recycled computer parts and components, the Board considers that the consideration for the Acquisition is fair and reasonable.

## The Consideration Shares

The Issue Price represents:

- (a) a premium of about 9.09% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on 23 October 2006, being the last trading day of the date of the Acquisition Agreement;
- (b) a premium of about 3.69% to the average of the closing prices of HK\$0.1736 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 23 October 2006, being the last trading day of the date of the Acquisition Agreement; and
- (c) a premium of approximately 434.13% over the net asset value of approximately HK\$0.0337 per Share based on the Group's net asset value of approximately HK\$25,210,000 (as shown in a circular of the Company dated 19 June 2006 in relation to the open offer of new Shares.

The Issue Price was arrived at after arm's length negotiation between the Group and the Vendors. The Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable and in the interests of the Shareholders as a whole. Based on the closing price of HK\$0.165 per share as quoted on the Stock Exchange on 23 October 2006, being the last trading day of the date of the Acquisition Agreement, the aggregate market value of the Consideration Shares will be HK\$2,524,500.

The Consideration Shares will be allotted and issued under the general mandate to allot and issue Shares granted to the Directors by a resolution passed by the Shareholders at the annual general meeting of the Company held on 11 August 2006. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Pursuant to the terms and conditions of the Acquisition Agreement, the Vendors undertake that they will not dispose of: (a) any of the Consideration Shares for a period of six months immediately after Completion; and (b) more than 6,800,000 Consideration Shares for a period of 12 months immediately after the expiry of the six-month period referred to in paragraph (a) above.

The Consideration Shares to be allotted and issued will represent approximately 2.05% of the existing issued share capital of the Company and approximately 2.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. None of the Vendors will become a substantial Shareholder upon Completion.

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with each other and with the Shares in issue on the date of allotment and issue of the Consideration Shares.

## Profit guarantee

The Vendors have guaranteed and warranted to the Purchaser that if the actual audited net profit (the "**Actual Profit**") of Maxitech as shown in the Audited Accounts is less than the Guaranteed Profit, the Vendors shall pay to Maxitech in cash within fourteen (14) days after the delivery of the Audited Accounts to the Vendors and the Purchaser in an amount calculated as follows:

$$A = (\text{Guaranteed Profit} - \text{Actual Profit})$$

where A is the amount payable to Maxitech.

If Maxitech records a loss in the Audited Accounts, the Vendors will be obligated to pay to Maxitech the amount of such loss and the amount of the Guaranteed Profit. If the Actual Profit exceeds the Guaranteed Profit, no amount will be payable to the Vendors.

### **Conditions**

The Acquisition Agreement is conditional upon:

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted on Maxitech;
- (b) the warranties given by the Vendors in favour of the Purchaser under the Acquisition Agreement remaining true and accurate in all respects;
- (c) the Listing Committee granting listing of and permission to deal in the Consideration Shares;
- (d) all necessary consents and approvals required to be obtained on the part of Maxitech, the Purchaser or the Vendors in respect of the Acquisition Agreement and the transactions contemplated hereby having been obtained;
- (e) if necessary, the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held of the necessary resolutions to approve the Acquisition Agreement and the transactions contemplated hereunder, including but not limited to the allotment and issue of the Consideration Shares.

If any of the above conditions has not been satisfied (or as the case may be, waived by the Purchaser) on or before 4:00 p.m. on 31 October 2006 or such later date as the Purchaser may agree, the Acquisition Agreement shall cease and determine and no party shall have any obligations and liabilities under the Acquisition Agreement save for any antecedent breaches of the terms thereof.

### **Completion**

Completion will take place on the third Business Day after the fulfilment of all the conditions of the Acquisition Agreement.

After Completion, Maxitech will become an indirect wholly owned subsidiary of the Company. There is no restriction as to subsequent sale of the Sale Shares.

### **INFORMATION ON MAXITECH**

Maxitech is principally engaged in the trading and distribution of recycled computers and related accessories and the provision of information technology consultancy and related maintenance services in Hong Kong and the PRC. Maxitech was established and commenced its business in July 2002 by the Vendors.

The audited financial information of Maxitech for the two years ended 31 December 2005 and prepared in accordance with accounting principles generally accepted in Hong Kong are as follows:

	<b>2004</b>	<b>2005</b>	<b>Nine months ended 30 September 2006</b>
	(audited)	(audited)	(unaudited)
Turnover	29,481,720	16,747,885	31,290,180
Profit before income tax	526,490	453,839	722,831
Profit after income tax (Net profit)	<u>526,490</u>	<u>444,491</u>	<u>722,831</u>
Net assets/(liabilities)	<u>(380,578)</u>	<u>63,913</u>	<u>2,015,745</u>

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in retail sales and wholesales of bags and accessories under the FX CREATIONS brandname. The bags sold by the Group consist principally of business bags, sport bags, backpacks, handbags and wallets. The accessories sold by the Group include belts, watches, spectacles and umbrellas.

The Directors observed that the markets distribution and trading of recycled computer parts and components has ample market potential and consider that the Acquisition offers the Group a good business opportunity to further diversify its business. The Directors further consider that when integrated into the Group's business operation, its turnover and revenue to be generated will increase progressively and will provide a steady income stream to the Group.

The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The Acquisition constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules.

A circular containing, among other things, details of the Acquisition will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange from 9:30 a.m. on 24 October 2006 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 25 October 2006.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 23 October 2006 and entered into between the Purchaser and the Vendors in relation to the Acquisition
“Audited Accounts”	the audited balance sheet of Maxitech as at 31 December 2007 and the audited profit and loss accounts of the Maxitech for the financial year ending 31 December 2007 to be prepared and reported by the Auditors and prepared in accordance with accounting principles generally accepted in Hong Kong
“Auditors”	the auditors for the time being of the Purchaser or such firm of accountants to be nominated by the Purchaser
“Board”	the board of Directors
“Business Day”	any day except Saturdays and Sundays on which banks in Hong Kong are open for business
“Company”	FX Creations International Holdings Limited (豐盛創意國際控股有限公司)*, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Consideration Shares”	15,300,000 Shares to be allotted and issued to the Vendors (as to 9,180,000 Consideration Shares to Leung Sui Ping, Heidi, as to 3,060,000 Consideration Shares to Yip Yung Kan and as to 3,060,000 Consideration Shares to Yip Yuk Tong, credited as fully paid at the Issue Price to satisfy in part the consideration for the Acquisition
“Directors”	directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

“Group”	the Company and its subsidiaries
“Guaranteed Profit”	the audited consolidated net profit of Maxitech for the financial year ending 31 December 2007 which shall not be less than HK\$1.5 million
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company and are not connected persons (as defined under the GEM Listing Rules) of the Company
“Issue Price”	the issue price of HK\$0.180 per Consideration Share
“Listing Committee”	has the meaning ascribed to the terms under the GEM Listing Rules
“Maxitech”	Maxitech System Company Limited, a company incorporated on 24 July 2002 in Hong Kong with limited liability and is wholly and beneficially owned by the Vendors
“Purchaser”	Trigreat Investments Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	1,000,000 ordinary shares of HK\$1.00 each in the issued share capital of Maxitech and registered in the name and beneficially owned by the Vendors, as to 600,000 Sale Shares by Leung Sui Ping, Heidi, as to 200,000 Sale Shares by Yip Yung Kan and the remaining 200,000 Sale Shares by Yip Yuk Tong
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	together Leung Sui Ping, Heidi, Yip Yung Kan and Yip Yuk Tong

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

\* *for identification purpose only*

By order of the Board  
**FX Creations International Holdings Limited**  
**Mr. Wong Wing Cheung, Peter**  
*Director*

Hong Kong, 24 October 2006

*As at the date of this announcement, the executive Directors are Mr. Wong Wing Cheung, Peter, Mr. Chan Man Yin and Mr. Chan Francis Ping Kuen. The independent non-executive Directors are Mr. Lee Kun Hung, Mr. Wong Hou Yan, Norman and Mr. Cheung Chi Hwa, Justin.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) and website of the Company at [www.fxcreations.com](http://www.fxcreations.com) for at least 7 days from the date of its publication.*