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## **PAK FAH YEOW INTERNATIONAL LIMITED**

**白花油國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 239)

### **DISCLOSEABLE AND CONNECTED TRANSACTION ASSIGNMENT OF TRADE MARKS**

On 8 September 2009, Hoe Hin Pak Fah Yeow and Mr. Gan Wee Sean entered into the Agreement for Trade Marks Assignment, pursuant to which Mr. Gan Wee Sean agreed to assign all his right, title and interest in and to the Trade Marks to Hoe Hin Pak Fah Yeow at a consideration of HK\$19,600,000, which will be satisfied in full by (1) the first instalment of HK\$280,000 to be payable within ten (10) Business Days after the Transfer Date; and (2) upon completion of the assignment, thereafter an amount of HK\$280,000 be payable within 20 Business Days after the end of each calendar year commencing in year 2011 until full settlement of the balance of the consideration.

The Agreement for Trade Marks Assignment constitutes a discloseable transaction for the Company under the Listing Rules as one or more of the relevant percentage ratios exceeds 5% but is less than 25%. As Mr. Gan Wee Sean is the controlling shareholder of the Company and is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, the Agreement for Trade Marks Assignment also constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

The Independent Board Committee comprising Ms. Ada Wong Ying Kay, Mr. Arnold Ip Tin Chee and Mr. Lawrence Leung Man Chiu has been formed to advise the Independent Shareholders on the Agreement for Trade Marks Assignment.

The Company has appointed KBC Bank N.V. as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement for Trade Marks Assignment in accordance with the Listing Rules.

A circular containing, among other thing, details of the Agreement for Trade Marks Assignment, the recommendations of the Independent Board Committee, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders together with the notice of SGM and the form of proxy will be despatched to the Shareholders as soon as practicable.

## **THE AGREEMENT FOR TRADE MARKS ASSIGNMENT**

Date: 8 September 2009

Parties: 1. Mr. Gan Wee Sean, the controlling shareholder of the Company under the Listing Rules, as assignor; and

2. Hoe Hin Pak Fah Yeow, an indirectly wholly-owned subsidiary of the Company, as assignee

### **Agreement for Trade Marks Assignment**

Pursuant to the Agreement for Trade Marks Assignment, Mr. Gan Wee Sean agreed to assign all his right, title and interest in and to the Trade Marks to Hoe Hin Pak Fah Yeow.

### **The trade marks to be acquired**

Details of the trade marks to be acquired under the Agreement for Trade Marks Assignment are as follows:-

<b>Item</b>	<b>Trade Mark</b>	<b>Place of registration</b>	<b>Registration Number</b>	<b>Class</b>	<b>Date of Registration</b>	<b>Date of Expiry</b>
(1)	With the logo of “白花油”	Malaysia	M/7275	5	20 March 1951	1 April 2010
(2)	With the logo of “白花油”	Singapore	T4707275D	5	1 April 1947	1 April 2016
(3)	With the logo of “白花膏”	Singapore	T8803065G	5	18 June 1988	18 June 2015

Pursuant to the Trade Mark Licence Agreement and the subsequent renewal agreements, Mr. Gan Wee Sean granted Hoe Hin Pak Fah Yeow the licence to use the trade marks items no. 1 and 2. As at the date of this announcement, the Group has never obtained any licence to use the trade mark of “白花膏” from Ms. Gan Wee Sean nor manufactured any products under such trade mark.

The value of the trade marks items no. 1 and 2 was approximately HK\$2,450,000. The net profit attributable to the trade marks items no. 1 and 2 for the two years ended 31 December 2008 were HK\$1,216,000 and HK\$566,000 respectively.

### **Consideration**

The consideration for the Agreement for Trade Marks Assignment is HK\$19,600,000, which will be paid by Hoe Hin Pak Fah Yeow in the following manner:

- (1) the first instalment of HK\$280,000 to be payable within ten (10) Business Days after the Transfer Date; and
- (2) upon completion of the assignment, thereafter an amount of HK\$280,000 be payable within 20 Business Days after the end of each calendar year commencing in year 2011 until full settlement of the balance of the consideration.

The consideration for the Agreement for Trade Marks Assignment was negotiated between the parties at arm's length and on normal commercial terms, by reference to factors including the historical revenue and profit generated by the Trade Marks, the historical royalties paid under the Trade Mark Licence Agreement and the expected synergy effect and contribution brought by the Trade Marks to the Group.

### **Conditions precedents**

Completion of the assignment is subject to and conditional upon the satisfaction in full of the following conditions:

- (1) the obtaining of the approval from Independent Shareholders at the SGM to be held no later than 31 October 2009; and
- (2) the obtaining of the notice of assignment to be issued by the Malaysia and Singapore Trade Mark Offices respectively acknowledging the assignment of the Trade Marks.

In the event that the conditions set out above have not been satisfied on or before 30 June 2011, the Agreement for Trade Marks Assignment shall automatically become null and void, unless otherwise mutually agreed in writing between the parties, and both parties shall be immediately and completely discharged from all of their obligations to each other under the Agreement for Trade Marks Assignment.

### **Event of default**

In the event that Hoe Hin Pak Fah Yeow fails to pay any of the installments sums (being due and payable) 60 Business Days from the end of the relevant calendar year, the consideration in the aggregate sum of HK\$19,600,000 (less any installments which have already been paid) (the "**Immediately Payable Sum**") shall immediately be due and payable from Hoe Hin Pak Fah Yeow to Mr. Gan Wee Sean.

In the event that Hoe Hin Pak Fah Yeow fails to pay the Immediately Payable Sum:-

- (i) Hoe Hin Pak Fah Yeow shall use its reasonable efforts to re-assign the Trade Marks back to Mr. Gan Wee Sean forthwith; and
- (ii) Hoe Hin Pak Fah Yeow shall use its reasonable efforts to procure the assignment of the Applied Trade Marks (to the extent such trade marks have been applied for or registered in Malaysia and Singapore by Hoe Hin Pak Fah Yeow) to Mr. Gan Wee Sean forthwith.

### **REASONS FOR ENTERING INTO THE AGREEMENT FOR TRADE MARKS ASSIGNMENT**

Pursuant to the Trade Mark Licence Agreement and the subsequent renewal agreements, Mr. Gan Wee Sean granted Hoe Hin Pak Fah Yeow the licence to use the trade marks items no. 1 and 2 as listed out in the paragraph headed “The trade marks to be acquired” in this announcement. The following table shows the licence fees paid by Hoe Hin Pak Fah Yeow to Mr. Gan Wee Sean during the period from 1 January 1999 to 30 June 2009.

<b>For the year ended 31 December</b>	<i>HK\$</i>
1999	193,929
2000	199,474
2001	134,602
2002	181,337
2003	180,629
2004	194,318
2005	185,000
2006	185,000
2007	185,000
2008	233,333
For the six months ended 30 June 2009	116,667

Although trade mark item no. 1 is due to be expired soon, the renewal of the trade mark will only involve immaterial renewal expenses and the company intends to renew it upon expiry. The assignment of these trade marks will save the Group from further payment of licence fee. As at the date of this announcement, the Group has never obtained any licence to use the trade mark of “白花膏” from Ms. Gan Wee Sean nor manufactured any products under such trade mark. However, the Directors are of the view that it would be beneficial for the Group to have direct control over all trade marks associated with the brand name of “白花油” and “白花膏” by acquiring the Trade Marks. The proposed assignment of the Trade Marks would allow the Company to apply and register other associated trade marks in Malaysia and Singapore (subject to the approval of the respective trade marks office) and prevent other similar trade marks from being

registered by third parties and hence protect the Company's intellectual property rights in Malaysia and Singapore. Moreover, the assignment would guarantee the use of the Trade Marks by the Company in Malaysia and Singapore and thus the continual sales of the Company's products (with such Trade Marks imprinted) in the territories concerned.

The Directors (including only the independent non-executive Directors as the two executive Directors, Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen were abstained from voting in the meeting of the Board approving the Agreement for Trade Marks Assignment) consider that the Agreement for Trade Marks Assignment was negotiated on an arm's length basis and was agreed on normal commercial terms between the parties and that the terms of the Agreement for Trade Marks Assignment are fair and reasonable so far as the Shareholders are concerned and are in the best interest of the Company and the Shareholders as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

The Agreement for Trade Marks Assignment constitutes a discloseable transaction for the Company under the Listing Rules as one or more of the relevant percentage ratios exceeds 5% but is less than 25%. As Mr. Gan Wee Sean is the controlling shareholder of the Company and is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, the Agreement for Trade Marks Assignment also constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

Mr. Gan Wee Sean and his associates (including Mr. Gan Fock Wai, Stephen who is the uncle of Mr. Gan Wee Sean) will abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Agreement for Trade Marks Assignment.

The Independent Board Committee comprising Ms. Ada Wong Ying Kay, Mr. Arnold Ip Tin Chee and Mr. Lawrence Leung Man Chiu has been formed to advise the Independent Shareholders on the Agreement for Trade Marks Assignment.

The Company has appointed KBC Bank N.V. as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement for Trade Marks Assignment in accordance with the Listing Rules.

### **GENERAL**

The Group is principally engaged in the business of manufacturing and sales of Hoe Hin brand of products, treasury and property investment.

### **CIRCULAR**

A circular containing details of the Agreement for Trade Marks Assignment together with the notice of SGM and the form of proxy will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

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

“Agreement for Trade Marks Assignment”	the agreement for trade marks assignment dated 8 September 2009 entered into between Mr. Gan Wee Sean and Hoe Hin Pak Fah Yeow, pursuant to which Mr. Gan Wee Sean agreed to assign all his right, title and interest in and to the Trade Marks to Hoe Hin Pak Fah Yeow
“Applied Trade Marks”	the trade marks (being confusingly similar to the Trade Marks) which Hoe Hin Pak Fah Yeow obtained registrations for, filed application(s) for registration or intends to register in Singapore and Malaysia, including among others, the trade marks listed in Schedule 2 of the Agreement for Trade Marks Assignment
“Board”	the board of directors of the Company
“Business Day”	any day (excluding Saturday and Sunday) on which banks generally are open for business in Hong Kong
“Company”	Pak Fah Yeow International Limited, a company incorporated with limited liability in Bermuda and with its Shares listed on the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hoe Hin Pak Fah Yeow”	Hoe Hin Pak Fah Yeow Manufactory, Limited, a company incorporated with limited liability in Hong Kong, and an indirectly wholly-owned subsidiary of the Company
“Independent Board Committee”	independent board committee of the board of directors of the Company consisting of all the independent non-executive Directors

“Independent Financial Adviser”	KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement for Trade Marks Assignment
“Independent Shareholders”	Shareholders other than Mr. Gan Wee Sean and his associates (including Mr. Gan Fock Wai, Stephen), and any person who is involved or interested in the Agreement for Trade Marks Assignment
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Share(s)”	share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SGM”	the special general meeting of the Company to be held for approving the Agreement for Trade Marks Assignment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trade Marks”	the trademarks of “白花油” and “白花膏” registered in Malaysia and Singapore under the name of Mr. Gan Wee Sean, details of which are listed out in the paragraph headed “The trade marks to be acquired” in this announcement
“Trade Marks Licence Agreement”	the trade mark licence agreement dated 28 February 2002 entered into between Mr. Gan Wee Sean and Hoe Hin Pak Fah Yeow, pursuant to which Mr. Gan Wee Sean granted Hoe Hin Pak Fah Yeow the licence to use the trade marks items no. 1 and 2 as listed out in the paragraph headed “The trade marks to be acquired” in this announcement

“Transfer Date” the date of issue of all the notices of assignment by the Malaysia and Singapore Trade Mark Offices acknowledging the assignment of the Trade Marks

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board  
**LO Tai On**  
*Company Secretary*

Hong Kong  
8 September 2009

*As at the date of this announcement, the board of directors of the Company comprises: (i) two executive directors namely Mr. GAN Wee Sean (Chairman and acting Chief Executive Officer) and Mr. GAN Fock Wai, Stephen; and (ii) three independent non-executive directors namely Ms. Ada WONG Ying Kay, Mr. Arnold IP Tin Chee and Mr. Lawrence LEUNG Man Chiu.*

\* *For identification purpose only*