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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sino-Tech International Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 724)

### DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF SUBSIDIARIES ENGAGING IN LIGHTER PRODUCTS BUSINESS

**Independent financial adviser to the Independent Board Committee and  
the independent shareholders of the Company**



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A letter of recommendation from the Independent Board Committee is set out on page 9 of this circular and a letter of recommendation from Guangdong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 19 of this circular.

A notice convening the special general meeting (the “SGM”) of the Company to be held at Room 2605-09, CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, Hong Kong on Saturday, 31 October 2009 at 10:00 a.m. is set out on pages 25 to 26 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. If you do not intend to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch registrar, Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Agreement”	the sale and purchase agreement dated 28 September 2009 between the Company and the Purchaser in respect of the sale and purchase of the Sale Shares and the Sale Loan;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	board of Directors;
“Business Days”	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong;
“Company”	Sino-Tech International Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange;
“Completion”	completion of the Disposal;
“Consideration”	the consideration of HK\$15,000,000 for the Disposal;
“Director(s)”	director(s) of the Company;
“Disposal”	the conditional sale of the Sale Shares and the Sale Loan by the Company to the Purchaser pursuant to the Agreement;
“Group”	the Company and its subsidiaries;
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

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## DEFINITIONS

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“Independent Board Committee”	a board committee comprising of the independent non-executive Directors constituted to make recommendations to the Independent Shareholders in respect of the Disposal;
“Independent Shareholders”	Shareholders other than the Purchaser and its respective associates;
“Latest Practicable Date”	9 October 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining relevant information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	Sher Tak Chi;
“Sale Shares”	16 shares of par value of US\$1.00 each in the share capital of the Target Subsidiary, representing the entire issued share capital of the Target Subsidiary;
“Sale Loan”	the interest free shareholder’s loan outstanding and owing by the Target Subsidiary to the Company, the principal amount of which was approximately HK\$2,423,089 as at the Latest Practicable Date;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting to be convened by the Company on Saturday, 31 October 2009 at 10:00 a.m. for the purposes of passing the relevant resolution to approve, amongst other things, the terms of the Agreement and the transactions contemplated thereby;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holders of Shares of the Company;

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules;
“Target Group”	the Target Subsidiary and its subsidiaries;
“Target Subsidiary”	Classic Line International Limited, a company incorporated in the British Virgin Islands with limited liability;
“United States”	the United States of America;
“US Case”	an action in respect of damages allegedly arising out of use of fire lighters sold by a subsidiary of the Target Group, commenced in the United States in respect of which a judgment in the amount of approximately US\$13.5 million has been obtained against one of the subsidiaries of the Target Group; and
“%”	per cent.

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## LETTER FROM THE BOARD

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# SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 724)**

*Executive Directors:*

Mr. Lam Yat Keung

Ms. Lam Pik Wah

Mr. Lam Hung Kit

*Independent non-executive Directors:*

Mr. Lo Wah Wai

Mr. Pai Te Tsun

Mr. Ho Chi Fai

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and principal place  
of business:*

26/F, CCT Telecom Building

11 Wo Shing Street, Fotan,

Shatin, N.T.

Hong Kong

13 October 2009

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF SUBSIDIARIES ENGAGING IN LIGHTER PRODUCTS BUSINESS**

#### **INTRODUCTION**

Reference is made to the announcement dated 29 September 2009 of the Company with regard to, amongst other things, the Disposal. The purpose of this circular is (i) to provide you with further information in relation to the Disposal; (ii) to set out the opinions and recommendations of the Independent Board Committee and Guangdong Securities; and (iii) to give you notice of the SGM at which the resolution set out therein will be proposed.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The SGM will be held on Saturday, 31 October 2009 at 10:00 a.m. for the purpose of, among others, obtaining the approval from the Independent Shareholders in respect of the Disposal by way of poll. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and his associates did not hold any Shares at the Latest Practicable Date. As the Purchaser is a director of the subsidiaries of the Target Group, the Purchaser and his associates are required under the Listing Rules to abstain from voting on the relevant resolution to be proposed to approve the Disposal at the SGM if the Purchaser and any of his associates comes to hold any Shares at the date of the SGM.

### THE AGREEMENT

On 28 September 2009, the Company and the Purchaser entered into the Agreement whereby the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Sale Loan. The following is a summary of certain principal terms and information relating to the Agreement and the transactions contemplated thereunder:–

Assets to be disposed: (i) the Sale Shares, representing the entire issued share capital of the Target Subsidiary; and

(ii) the Sale Loan.

Consideration: The Consideration is HK\$15,000,000, payable in cash at Completion. As between the Sale Shares and the Sale Loan, as to HK\$12,576,911.46 of the Consideration is ascribed to the Sale Shares and the balance of the Consideration is ascribed to the Sale Loan.

Conditions precedent: Completion is conditional upon the Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders in accordance with the Listing Rules.

If the above condition is not satisfied on or before 31 December 2009 or such later date as the Company and the Purchaser may agree, the Agreement shall terminate whereupon none of the parties thereto shall have any claim against or liability or obligation to the other party, save in respect of any antecedent breaches.

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## LETTER FROM THE BOARD

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Completion: Completion shall take place on the third (3) Business Day or such other day as agreed between the Company and the Purchaser following the fulfilment of all conditions precedent to the Agreement.

Upon Completion, the Target Subsidiary will cease to be a subsidiary of the Company.

The amount of Consideration was determined after arm's length negotiations between the Company and the Purchaser after taking into account the unaudited consolidated net asset value of the Target Group as at 30 June 2009 and the valuation amount as at 31 August 2009 as estimated by an independent valuer.

The unaudited consolidated net asset value of the Target Group as at 30 June 2009 was approximately HK\$15,648,000.

Based on the valuation report prepared by an independent valuer, the fair value of the Target Group amount to approximately HK\$14,241,000 as at 31 August 2009 which was valued using the market transaction method. The market transaction method determines the fair value of an asset by reference to the transaction prices, or 'valuation multiples' implicit in the transaction prices, of similar assets and companies in the market. The value reflects the future economic benefit which is expected to be derived from the ownership of the assets of the Target Group.

### **INFORMATION OF THE TARGET GROUP**

The Target Group is principally engaged in the manufacturing and trading of cigarette lighters and the manufacturing of lighters parts.



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## LETTER FROM THE BOARD

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Set out below is financial information of the Target Group based on its unaudited consolidated financial statements for the years ended 31 December 2007 and 31 December 2008 and for the six months period ended 30 June 2009:

	<b>For the year ended 31 December 2007 Unaudited (HK\$)</b>	<b>For the year ended 31 December 2008 Unaudited (HK\$)</b>	<b>For the six months period ended 30 June 2009 Unaudited (HK\$)</b>
Loss before taxation and extraordinary items	2,097,000	12,875,000	6,446,000
Loss after taxation and extraordinary items	2,548,000	12,946,000	6,446,000

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the manufacturing and sale of electronic parts and components and lighters.

As disclosed in the Company's announcement dated 23 September 2009, the Company has entered into a conditional agreement to acquire (the "Proposed Acquisition") from Mr. Li Wei Min the entire issued share capital of CITIC Logistics (International) Company Limited, which is principally engaged in logistics services by providing the whole solutions and services for supply chain management. After completion of the Proposed Acquisition and the Completion, the principal activities of the Group will be the manufacturing and sale of electronic parts and components and the provision of logistics services. As at the Latest Practicable Date, the Company has no intention to dispose of its electronic parts and components business.

It is estimated that, based on the book value of the Company's interest in the Target Group of HK\$15,648,000 as at 30 June 2009 comprised in the unaudited consolidated accounts of the Group for the six months ended 30 June 2009 and deducting the Consideration ascribed to the Sale Shares in the amount of HK\$12,576,911.46 and the adjustments in respect of the exchanges reserve, valuation reserve and others in the amount of approximately HK\$407,000, the Group would recognise a loss on the Disposal of approximately HK\$2,664,000. Such loss is subject to changes as the value of the Company's interests attributable to its shareholding of the interest in the Target Group as at the date of Completion may be different due to the operating performance of the Target Group between 30 June 2009 and the date of Completion.

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## LETTER FROM THE BOARD

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The lighter products business segment of the Group has been recording losses since the financial year ended 31 December 2005. For the 6 months ended 30 June 2009, the Target Group operated at a loss of approximately HK\$6.4 million. In addition, one of the subsidiaries of the Target Group has been and is the subject of a judgment (in the amount of approximately US\$13.5 million) obtained in a United States court in an action in respect of damages allegedly arising out of use of fire lighters sold by a subsidiary of the Target Group. The judgment is made against the relevant subsidiary of the Target Group, not the Company.

In light of the performance of the lighter products business segment and the US Case, the Directors consider that the Disposal will enable the Group to better allocate resources, effort and time for the management of other operations of the Group. The Purchaser has also agreed under the Agreement that he is not entitled to terminate the Agreement or not proceed to Completion by reason of existence of the US Case. In view of the above, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to dispose of its lighter products business.

It is intended that the proceeds from the Disposal will be used as general working capital.

Based on the factors mentioned above, the Board is of the view that the terms of the Agreement are fair and reasonable and that are on normal commercial terms and that the Disposal is in the interests of the Company and the Shareholders as a whole.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee as set out on page 9 of this circular which contains its recommendation to the Independent Shareholders in respect of the ordinary resolution set out in the notice of SGM set out on pages 25 to 26 of this circular to approve the Disposal.

The advice of Guangdong Securities to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable and are on normal commercial terms and whether the Disposal is in the interests of the Company and the Shareholders as a whole is set out on pages 10 to 19 of this circular.

### **FURTHER INFORMATION**

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of  
**Sino-Tech International Holdings Limited**  
**Lam Yat Keung**  
*President*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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## SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 724)**

13 October 2009

*To the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of the Company in respect of the resolution to approve the Disposal, details of which are set out in the “Letter from the Board” contained in the circular of the Company (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the letter of advice from Guangdong Securities in its capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Agreement are fair and reasonable and are on normal commercial terms and whether the Disposal is in the interests of the Company and the Shareholders as a whole, as set out in the “Letter from Guangdong Securities” as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Guangdong Securities in relation thereto as stated in its letter, we consider the terms of the Agreement to be fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in respect of the Disposal.

Yours faithfully,

**Independent Board Committee**

**Mr. Lo Wah Wai, Mr. Pai Te Tsun and Mr. Ho Chi Fai**

*Independent Non-executive Directors*

\* For identification purpose only

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## LETTER FROM GUANGDONG SECURITIES

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*Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.*



Units 2505-06, 25/F.  
Low Block of Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

13 October 2009

*To: The independent board committee and the independent shareholders of  
Sino-Tech International Holdings Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION: INVOLVING DISPOSAL OF SUBSIDIARIES ENGAGING IN LIGHTER PRODUCTS BUSINESS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 October 2009 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 September 2009, the Company and the Purchaser entered into the Agreement pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being the entire issued share capital of the Target Subsidiary, and the Sale Loan at the Consideration of HK\$15 million. As referred to in the Board Letter, upon Completion, the Target Subsidiary will cease to be a subsidiary of the Company.

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## LETTER FROM GUANGDONG SECURITIES

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The Disposal represents a possible disposal of the Company's interest in the Target Subsidiary. As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As further referred to in the Board Letter, the Purchaser is a director of the subsidiaries of the Target Group, the Disposal and the transactions contemplated under the Agreement therefore also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. In this regard, the Purchaser, together with his associates, are required to abstain from voting in respect of the resolution regarding the Disposal at the SGM.

An Independent Board Committee comprising Mr. Lo Wah Wai, Mr. Pai Te Tsun and Mr. Ho Chi Fai (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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## LETTER FROM GUANGDONG SECURITIES

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We have not made an independent evaluation or appraisal of the assets and liabilities of the Group or the Target Group and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the fair value of the Target Group prepared by an independent valuer (the “**Valuation Report**”). We are not experts in the valuation of business/assets and therefore have relied solely upon the Valuation Report for the fair value of the Target Group as at 31 August 2009.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Purchaser or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

#### **(1) Background of the Disposal**

##### *The Agreement*

On 28 September 2009, the Company and the Purchaser entered into the Agreement pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being the entire issued share capital of the Target Subsidiary, and the Sale Loan at the Consideration of HK\$15 million. As referred to in the Board Letter, upon Completion, the Target Subsidiary will cease to be a subsidiary of the Company.

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## LETTER FROM GUANGDONG SECURITIES

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As confirmed by the Directors, the terms of the Agreement were negotiated and entered into on arm's length basis between the parties thereto and the Directors are of the view that the terms and conditions of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### *Information on the Group*

The Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components and lighters. With reference to the announcement of the Company dated 23 September 2009 (the “**Acquisition Announcement**”), the Group has entered into an agreement to acquire for the entire issued share capital of CITIC Logistics (International) Company Limited, a company which is principally engaged in logistics services by providing the whole solutions and services for supply chain management (the “**Prior Acquisition**”). After completion of the Prior Acquisition and the Disposal, the principal activities of the Group will be the manufacturing and trading of electronic and electronic parts and components and the provision of logistics services.

As at the Latest Practicable Date, the Prior Acquisition had not yet been completed.

Tabularised below is a summary of the audited consolidated financial information on the Group for the two years ended 31 December 2008 as extracted from the Company's annual report for the year ended 31 December 2008 (the “**2008 Annual Report**”) and the unaudited consolidated financial information on the Group for the six months ended 30 June 2009 as extracted from the Company's interim report for the six months ended 30 June 2009 (the “**2009 Interim Report**”):

<b>Consolidated Income Statement</b>	<b>For the six months ended 30 June 2009 HK\$'000</b>	<b>For the year ended 31 December 2008 HK\$'000</b>	<b>For the year ended 31 December 2007 HK\$'000</b>
Turnover	283,208	729,045	795,909
Cost of sales	(242,945)	(635,633)	(662,766)
Gross profit	40,263	93,412	133,143
Profit before taxation	10,790	13,530	86,617
Taxation	(2,917)	(7,131)	(16,132)
Net profit attributable to equity holders of the Company	<u>7,873</u>	<u>6,399</u>	<u>70,485</u>

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## LETTER FROM GUANGDONG SECURITIES

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As depicted by the above table, the Group recorded a turnover of approximately HK\$729.0 million for the year ended 31 December 2008, representing a decrease of approximately 8.4% as compared to the prior year. The gross profit of the Group amounted to approximately HK\$93.4 million, representing a decrease of approximately 29.8% as compared to the prior year, while the net profit attributable to equity holders of the Company had decreased by over 90% from approximately HK\$70.5 million for the year ended 31 December 2007 to approximately HK\$6.4 million for the year ended 31 December 2008. We noted from the 2008 Annual Report that the significant drop in the Group's net profit attributable to equity holders of the Company was primarily attributable to the increase in the manufacturing costs and the global financial turmoil in 2008. The Group also recorded an impairment loss provision of approximately HK\$19.6 million in respect of the deposit paid for a mining project in Vietnam (which was eventually terminated by the Company) for the year ended 31 December 2008.

As disclosed in the 2009 Interim Report, the deteriorated global economy continued to adversely affect the financial performance of the Group for the six months ended 30 June 2009. While the turnover for the electronic and electrical components segment has dropped significantly as compared to the corresponding period in the prior year, the Group managed to stabilise the net profit margin with the exercise of stringent control on product costs and manufacturing overhead. However, according to the 2009 Interim Report, the lighter products business segment was more significantly impacted by the global downturn and recorded a substantial rise in segment loss as compared to the corresponding period in the prior year.

### *Information on the Target Group*

The Target Subsidiary is a wholly-owned subsidiary of the Company and is a company incorporated in the British Virgin Islands with limited liability on 8 August 1996. From the Board Letter, we noted that the principal activities of the Target Group are the manufacturing and trading of cigarette lighters and the manufacturing of lighters parts. As aforementioned, the Target Subsidiary will cease to be a subsidiary of the Company upon Completion.



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## LETTER FROM GUANGDONG SECURITIES

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The table below sets out a summary of the unaudited financial information on the Target Group for the two years ended 31 December 2008 and the six months ended 30 June 2009, which are prepared in accordance with the accounting principles generally accepted in Hong Kong as extracted from the Board Letter:

<b>Income Statement</b>	<b>For the six months ended 30 June 2009 <i>HK\$'000</i></b>	<b>For the year ended 31 December 2008 <i>HK\$'000</i></b>	<b>For the year ended 31 December 2007 <i>HK\$'000</i></b>
Loss before taxation and extraordinary items	(6,446)	(12,875)	(2,097)
Loss after taxation and extraordinary items	(6,446)	(12,946)	(2,548)

With reference to the Board Letter, the unaudited consolidated net asset value of the Target Group as at 30 June 2009 was approximately HK\$15,648,000.

As depicted by the above table, the Target Group recorded continuous losses for the two years ended 31 December 2008 and the six months ended 30 June 2009. As represented by the Directors, such continuous losses were attributable to the severe competition in the lighter business and the increase in the production cost due to the significant increase in the price of plastic materials for the last few years. In addition, we noted that the loss making condition of the Target Group worsened in the year ended 31 December 2008. After our discussion with the Directors, we understand that it was primarily the result of the new Labour Law in the PRC, which requires the provision of better fringe benefits to labour and thus increased the production cost and affected the performance of the lighter business which is labour intensive in nature. We were further advised by the Directors that the outset of the global financial turmoil in 2008 affected the consumer market for the lighter business and the Directors expected that the existing loss making condition of the Target Group is likely to persist in the foreseeable future.

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## LETTER FROM GUANGDONG SECURITIES

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### (2) Reasons for the Disposal and proposed use of proceeds

Upon our enquiry, we understand from the Directors that the lighter products business segment of the Group has been recording losses since the 2005 financial year and such loss making condition worsened in the year ended 31 December 2008 due to, as just mentioned, the new Labour Law in the PRC as well as the financial turmoil in 2008 resulting in the deterioration of the consumer market of the lighter business.

As disclosed in the Board Letter, an action in respect of damages allegedly arising out of use of fire lighters sold by a subsidiary of the Target Group was commenced in the United States in respect of which a judgment dated 4 March 2009 in the amount of approximately US\$13.5 million (equivalent to approximately HK\$104.9 million) has been obtained against one of the subsidiaries of the Target Group. Upon our further enquiry, we understand that under the Agreement, the Purchaser is not entitled to terminate the Agreement or not proceed to the Completion by reason of the existence of the US Case. Besides that, the Directors also confirmed that as far as they are aware of, the judgment in respect of the US Case is made against only one of the subsidiaries of the Target Group (excluding other defendants to the case).

Moreover and with reference to the Acquisition Announcement, the Directors considered that the Prior Acquisition represented an excellent opportunity for the Company to enter into a promising industry. We also noted from the Board Letter that the proceeds from the Disposal will be applied as general working capital of the Group. In light of the above, we are of the view that the Disposal will be able to provide additional general working capital to the Group to focus on its remaining businesses upon completion of the Prior Acquisition and the Disposal in the future.

Taking into account the prolonged loss making performance of the lighter products business segment, the judgment of the US Case and the fact that the Disposal shall provide additional general working capital for focusing on its remaining businesses upon completion of the Prior Acquisition and the Disposal in the future, we concur with the Directors that the Disposal will enable the Group to better allocate resources, effort and time for the management of other remaining businesses of the Group and that the Disposal is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM GUANGDONG SECURITIES

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### (3) Terms of the Agreement

As set out in the Board Letter, the Consideration of HK\$15 million was determined after arm's length negotiations between the Company and the Purchaser with reference to various factors including (i) the valuation amount of the Target Group as at 31 August 2009 amounting to approximately HK\$14,241,000 as estimated by an independent valuer (the "Valuer") (the "Valuation"); and (ii) the unaudited consolidated net asset value of the Target Group as at 30 June 2009 amounting to approximately HK\$15,648,000. The portion of HK\$12,576,911.46 of the Consideration ascribed to the Sale Shares represents a discount of approximately 11.7% and approximately 19.6% to the Valuation and the unaudited consolidated net asset value of the Target Group as at 30 June 2009 respectively.

For the purpose of assessing the fairness and reasonableness of the Consideration, we have reviewed and made enquiries with the Valuer regarding the methodology of, and basis and assumptions adopted for the Valuation in the Valuation Report.

During our discussion with the Valuer, we understand from the Valuer that the Valuation was arrived at using the market transaction method which determines the fair value of an asset by reference to transaction prices, or "valuation multiples" implicit in the transaction prices, of similar assets and companies in the market (the "Valuation Comparables"). According to the Valuer, among various valuation multiples for the market transaction method, such as the price to earnings multiple, the price to book multiple and the enterprise value to earnings before interest, tax, depreciation and amortization ("EBITDA") ("EV-to-EBITDA"), the Valuer considered EV-to-EBITDA to be the most appropriate when comparing companies with different degree of financial leverage and EBITDA is useful for valuing capital-intensive businesses such as manufacturing businesses involving huge capital investment on fixed assets. We obtained the list of the Valuation Comparables and discussed the selection criteria of the same with the Valuer, and the Valuer confirmed to us that the Valuation Comparables are exhaustive, fair and representative samples for the purpose of the Valuation. During our discussion with the Valuer, we have not identified any major factors which would cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation. Nonetheless, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the Valuation may or may not accurately reflect the true fair value of the Target Group.

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## LETTER FROM GUANGDONG SECURITIES

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We were further advised by the Valuer that the Valuation has not taken into account any possible adverse effect on the fair value of the Target Group arising from the US Case. We also noted from the unaudited financial information on the Target Group and, as confirmed by the Directors, the Target Group did not make any provision for the possible claims against the Target Group arising from the US Case.

Based on the above, and given also the difficult operating environment of the lighter business as demonstrated in the earlier section of this letter and the fact that the Disposal will enable the Directors to better allocate resources, effort and time for the management of the Group, the Directors confirmed that they consider a relatively slight discount to attract a willing buyer (who is not entitled to terminate the Agreement despite the US Case and who will acquire for the Target Group in respect of which judgment of the US Case has been obtained against one of its subsidiaries) at the Consideration to be fair and reasonable.

We have also reviewed the other major terms of the Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **(4) Possible financial effects of the Disposal**

The Target Subsidiary will cease to be a subsidiary of the Company and as confirmed by the Directors, the Company will cease to consolidate the financial results of the Target Group into the Group's financial statements upon Completion.

As aforementioned, the unaudited consolidated net asset value of the Target Group as at 30 June 2009 was approximately HK\$15,648,000. The unaudited consolidated losses of the Target Group for the six months ended 30 June 2009 were approximately HK\$6,446,000. According to the Directors, the Company would record a one-off loss of approximately HK\$2,664,000 from the Disposal, representing the net amount of the Consideration ascribed to the Sale Shares and the unaudited consolidated net asset value of the Target Group as at 30 June 2009, and the adjustments in respect of the exchanges reserve, valuation reserve and others in the amount of approximately HK\$407,000. Nevertheless, the cash balance of the Group would be enhanced by the net proceeds from the Disposal.

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## LETTER FROM GUANGDONG SECURITIES

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In view of that (i) the Target Group recorded continuous losses for the two years ended 31 December 2008 and the six months ended 30 June 2009; (ii) the Directors expected that the existing loss making condition of the Target Group is likely to persist in the foreseeable future; and (iii) the Disposal will enable the Group to better allocate resources, effort and time for the management of other remaining businesses of the Group, we consider that the one-off loss of approximately HK\$2,664,000 from the Disposal is acceptable.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon Completion.

### RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Guangdong Securities Limited**  
**Graham Lam**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors

As at the Latest Practicable Date, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO were as follows:

#### *Long Position in Shares of the Company*

Name of director	Capacity	Number of issued ordinary shares held	Number of underlying Shares under equity derivative of the Company	Total interest	Percentage of shareholding
Lam Pik Wah	Held by controlled corporation	608,400,000 (Note 1)	121,000,000	729,400,000	19.21%
Lam Hung Kit	Held by controlled corporation	608,400,000 (Note 1)	121,000,000	729,400,000	19.21%
Lam Yat Keung	Held by family	608,400,000 (Note 2)	121,000,000	729,400,000	19.21%

*Note 1:* These ordinary shares are owned by Smart Number Investments Limited (“Smart Number”), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Number is beneficially owned as to 66.67% by Ms. Lam Pik Wah and as to 33.33% by Mr. Lam Hung Kit.

*Note 2:* These ordinary shares are owned by Smart Number, a controlled company of Ms. Lam Pik Wah, the wife of Mr. Lam Yat Keung.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

**(b) Interest of Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register maintained by the Company pursuant to section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

***Long positions in Shares and underlying shares of the Company***

Shareholders	Capacity	Number of issued ordinary shares	Number of underlying Shares under equity derivative of the Company	Total interest	Percentage of shareholding
Smart Number Investments Limited (Note 1)	Beneficial owner	608,400,000	121,000,000	729,400,000	19.21%
Forever Gain Profits Limited (Note 2)	Beneficial owner	580,000,000	116,000,000	696,000,000	18.33%
Mr. Wan Bing Hung (Note 2)	Held by controlled corporation	580,000,000	116,000,000	696,000,000	18.33%
Mr. Kwong Chi Shing Savio (Note 3)	Beneficial owner	239,980,000	–	239,980,000	6.32%
Mr. Li Wei Min (Note 4)	Beneficial owner	1,620,000,000	7,920,000,000	9,540,000,000	251.22%

*Note 1:* The above interests in the name of Smart Number was also disclosed as interests of certain directors under the heading “Directors’ Interests in Shares”. Ms. Lam Pik Wah and Mr. Lam Hung Kit are also directors of Smart Number.

*Note 2:* According to the Disclosure of Interests form dated 3 January 2008, Forever Gain Profits Limited is wholly owned by Mr. Wan Bing Hung.

*Note 3:* According to the Disclosure of Interests form dated 16 May 2006, Mr. Kwong Chi Shing Savio is beneficially interested in 239,980,000 shares of the Company.

*Note 4:* According to the Disclosure of Interests form dated 8 October 2009 filed with the Company, Mr. Li Wei Min has a long position in a total of 9,540,000,000 Shares, consisting of an interest in (i) 1,620,000,000 Shares and (ii) a derivative interest in 7,920,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors or the chief executives of the Company were not aware that there was any person (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensations (other than statutory compensation)).

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date up to which the latest published audited financial statements of the Group were made up.

### 5. EXPERT

The following is the qualification of Guangdong Securities, which has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Guangdong Securities Limited	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO



As at the Latest Practicable Date, Guangdong Securities did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Guangdong Securities has given and has not withdrawn its consent to the issue of this circular with the inclusion of its reports or letters, as the case may be, and reference to its name in the form and context in which they respectively appear.

#### **6. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date:–

- (a) none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2008, being the date up to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

#### **7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the office of Room 2605-09, CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (a) the Agreement; and
- (b) the conditional agreement dated 13 September 2009 entered into between the Company, Top Victory Industries Limited as the purchaser and Mr. Li Wei Min as the vendor in respect of the sale and purchase of the entire issued share capital of CITIC Logistics (International) Company Limited as disclosed in the Company's announcement dated 23 September 2009.

**9. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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## NOTICE OF SGM

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# SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 724)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Special General Meeting (the “Meeting”) of Sino-Tech International Holdings Limited (the “Company”) will be held at Room 2605-09, CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, Hong Kong on Saturday, 31 October 2009 at 10:00 a.m. to consider, and if thought fit pass, with or without amendments, the following resolution which will be proposed as an ordinary resolution:–

#### ORDINARY RESOLUTION

“**THAT:**–

- (A) the sale and purchase agreement (the “Agreement”) dated 28 September 2009, a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification, entered into between the Company and Mr. Sher Tak Chi (the “Purchaser”) pursuant to which, subject to the fulfilment of the conditions set out therein, the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Classic Line International Limited (the “Target Subsidiary”) and the interest free shareholder’s loan outstanding and owing as at completion of the Agreement by the Target Subsidiary to the Company, the transactions contemplated thereunder, be and are hereby approved; and
- (B) the directors of the Company be and are hereby authorised to exercise all the powers of the Company and take all steps as might in their opinion be necessary or desirable in connection with the Agreement and the performance thereof, including, without limitation:–
  - (i) the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements;

\* *For identification purpose only*

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## NOTICE OF SGM

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- (ii) the amendment of the terms of the Agreement; and
- (iii) the taking of all other actions necessary to implement the Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**Sino-Tech International Holdings Limited**  
**Yu Miu Yee, Iris**  
*Company Secretary*

Hong Kong, 13 October 2009

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be delivered to the Company’s branch registrar, Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. The form of proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
6. Where there are joint holders of any shares of the Company any one of such joint holder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such holders be present at the meeting the vote of the senior who tenders a vote, whether in personal or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.