

29 June 2011

Listed Company Relations
New Zealand Exchange Limited
PO Box 2959
Wellington

Dear Sir/Madam

EXPANSION OPPORTUNITY WITH THE PURCHASE OF AN EQUITY STAKE IN NEW ZEALAND COMPANY'S CHINESE FACTORY

The Directors are pleased to announce the signing today by Scott Technology Limited ("Scott") of a conditional agreement which provides for Scott (or its nominee) to purchase a 75% share in Teknatool International Limited's ("Teknatool") Qingdao-based manufacturing company, Qingdao Teknatool Machinery Manufacturing Co., Ltd ("QT"). This transaction was flagged as pending in the simplified disclosure prospectus dated 24 June 2011. The agreement is conditional upon the satisfaction of certain conditions and, if the conditions are satisfied, the proposed purchase is expected to be completed by 29 July 2011. The conditional agreement provides that upon completion Scott (or its nominee) will pay NZ\$975,000 for a 75% share in QT.

Since 2005 QT's Qingdao facility has been manufacturing products for Teknatool which specializes in lathe technology and energy efficient motor manufacturing. The Directors anticipate that QT will continue to produce the Teknatool product range pursuant to a supply agreement presently under negotiation.

The proposed purchase by Scott (or its nominee) of a 75% share in QT would, if completed, complement Scott's existing Qingdao office and would see Scott well positioned to pursue opportunities to service and grow our Asian business.

Scott has been operating in the Chinese market for several years. Backed by this experience we see the need to increase our presence within the market to respond to the growth in demand and the opportunities that are being presented.

Teknatool established QT as a wholly owned subsidiary in 2006 and has subsequently been recognised by the NZCTA as a superior performer in the Chinese market. In the NZCTA Trade Awards in 2011, Teknatool won the award for the Best Investor in China. This is the second time Teknatool has won an NZCTA award, having previously been voted the Supreme Winner of the Cathay Pacific NZCTA Trade Awards in 2009.

In 2011, the NZCTA Judges commented that Teknatool demonstrated *"Outstanding commitment to growing trade and opportunities for NZ in China, consistently delivering complex and state of the art technologies, whilst remaining true to their core strengths and juggling the demands of a global operation."*

Scott is pleased with the prospect of working with Teknatool with a view to building on Teknatool's recent achievements.

The Directors consider that the proposed purchase by Scott (or its nominee) of a 75% share in QT would be a positive development in the continued showcasing of Kiwi ingenuity and know-how on the global stage and in particular in China.

Yours faithfully



Stuart McLauchlan
Chairman



Chris Hopkins
CEO