

# V.S. International Group Limited

*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.*



## V.S. International Group Limited

威鉞國際集團有限公司

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

### CONNECTED TRANSACTIONS:

### ACQUISITION OF THE MINORITY INTERESTS IN VS HAIER

The Directors wish to inform the Shareholders that HAIVS Qingdao, one of the non-wholly owned subsidiaries of the Company, entered into the Equity Transfer Agreement with Qingdao Haier pursuant to which HAIVS Qingdao has conditionally agreed to acquire and Qingdao Haier has conditionally agreed to sell the Sale Interest, representing 20% of the entire registered capital of VS Haier, at a consideration of RMB14.80 million (equivalent to approximately HK\$13.96 million), which was determined after arm's length negotiations among the parties and based on the amount of investment originally contributed by Qingdao Haier to the registered capital of VS Haier.

Given that Qingdao Haier is a substantial shareholder of VS Haier which is a non-wholly owned subsidiary of the Company and the Purchase Price exceeded the higher of HK\$10 million or 3% of the book value of the Group's net tangible assets, the Acquisition constitutes a connected transaction for the Company under the Listing Rules and is subject to the disclosure requirements and the Independent Shareholders' approval in general meeting under Rule 14.26 of the Listing Rules.

The Company is seeking confirmation from the Stock Exchange that the approval of the Acquisition by the Independent Shareholders may be obtained by means of written approval by an Independent Shareholder who holds more than 50% in nominal value of the issued share capital of the Company. VVS Co., Ltd., a controlling Shareholder holding approximately 51.98% interest in the entire issued share capital of the Company and being one of the Independent Shareholders, has given its written approval to the Acquisition.

A circular containing details of the Acquisition, a letter from an independent financial adviser and a letter from the independent board committee, will be despatched to the Shareholders as soon as possible.

#### EQUITY TRANSFER AGREEMENT

##### Date of the Equity Transfer Agreement

16 May 2003

##### Parties to the Equity Transfer Agreement

- (i) HAIVS Qingdao as purchaser;
- (ii) Qingdao Haier as vendor; and
- (iii) VS Investment as covenantor waiving its pre-emptive rights in the Sale Interest.

##### The Acquisition

Subject to the terms and conditions of the Equity Transfer Agreement, HAIVS Qingdao has conditionally agreed to acquire from and Qingdao Haier has conditionally agreed to sell the Sale Interest, representing 20% of the entire registered capital of VS Haier.

VS Investment, being the existing shareholder of VS Haier holding 80% interest in its registered capital and a 99.99995%-owned subsidiary of the Company, has agreed to waive its pre-emptive rights in the Sale Interest.

# V.S. International Group Limited

## Consideration

The Purchase Price payable by HAIVS Qingdao to Qingdao Haier for the purchase of the Sale Interest shall be RMB14.80 million (equivalent to approximately HK\$13.96 million), which was determined after arm's length negotiations among the parties and based on the amount of investment originally contributed by Qingdao Haier to the registered capital of VS Haier.

According to the audited financial statements of VS Haier for the year ended 31 December 2002, the net asset value of VS Haier as at 31 December 2002 amounted to RMB63,454,797 (equivalent to approximately HK\$59.86 million). By reference to such audited financial statements, the value of the Sale Interest as at 31 December 2002 amounted to approximately RMB12.69 million (equivalent to approximately HK\$11.97 million). The Purchase Price of RMB14.80 million (equivalent to approximately HK\$13.96 million) represents a premium of 16.63% to the net asset value of VS Haier as at 31 December 2002. The audited net loss of VS Haier before taxation for the two years ended 31 December 2002 was approximately nil and RMB10.60 million (equivalent to approximately HK\$10.00 million) respectively, and the audited net loss of VS Haier after taxation for the two years ended 31 December 2002 was approximately nil and RMB10.60 million (equivalent to approximately HK\$10.00 million) respectively.

Despite the fact that the Purchase Price was at a premium to the net asset value of VS Haier as at 31 December 2002, the Directors, including the independent non-executive Directors, consider that the purchase price is fair and reasonable as the Purchase Price represents the initial investment contributed by Qingdao Haier to VS Haier, which commenced its operation in March 2002 and is at its initial and developing stage.

The Purchase Price shall be payable in cash by HAIVS Qingdao to Qingdao Haier within 90 days from the date on which the Equity Transfer Agreement becomes effective. The Acquisition will be financed by the Group's internal resources. The Equity Transfer Agreement shall become effective upon fulfillment of all the conditions as set out in the paragraph headed "**Conditions of the Equity Transfer Agreement**" below.

## Conditions of the Equity Transfer Agreement

The Equity Transfer Agreement shall become effective upon the fulfillment of all of the following conditions:

- (a) if necessary, the disclosure and/or shareholders' approval requirements as prescribed under the Listing Rules in connection with the connected transactions (as defined under the Listing Rules) contemplated under the Equity Transfer Agreement being duly complied with by the Company, or waivers from strict compliance of such disclosure and/or shareholders' approval requirements being granted by the Stock Exchange subject to such terms and conditions as HAIVS Qingdao may agree; and
- (b) all consents and approvals of the original examination and approving authority and the company registration authority in the PRC required for the transfer of the Sale Interest under the Acquisition being obtained and the registration of the relevant change at the State Administration of Industry and Commerce of the PRC being duly completed.

If any of the above conditions are not fulfilled on or before 5:00 p.m. on 13 September 2003, then unless otherwise agreed by the parties in writing, the Equity Transfer Agreement shall forthwith lapse and be of no further effect, and no party thereof shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Equity Transfer Agreement. HAIVS Qingdao has undertaken that it will not procure the satisfaction of the condition (b) above until the condition (a) above has been satisfied.

## INFORMATION OF THE GROUP AND VS HAIER

The Group has been principally engaged in the business of manufacturing and sales of plastic moulded products and parts, assembling of electronic products as well as design and fabrication of moulds.

VS Haier is a sino-foreign equity joint venture established in Qingdao Province, the PRC on 2 August 2001 with a total registered capital of RMB73.98 million (equivalent to approximately HK\$69.79 million). Prior to the Equity Transfer Agreement becoming effective, the registered capital of VS Haier is owned as to 20% by Qingdao Haier and 80% by VS Investment, a 99.99995%-owned subsidiary of the Company. The principal business of VS Haier is the manufacturing and selling of plastic moulded products and parts for electronic products such as refrigerators, washing machines, chillers and air conditioners.

Upon the Equity Transfer Agreement becoming effective, the registered capital of VS Haier will be owned as to 80% by VS Investment and 20% by HAIVS Qingdao, which is a wholly owned subsidiary of VS Investment. The Directors intend to change the name of VS Haier to 青島偉勝電子塑膠有限公司 (Qingdao GS Electronics Plastic Co., Ltd.\*) after the Equity Transfer Agreement becomes effective pursuant to its terms and conditions. Upon the Equity Transfer Agreement becoming effective, VS Haier will become a wholly owned subsidiary of VS Investment and a 99.99995%-owned indirect subsidiary of the Company.

# V.S. International Group Limited

## REASONS FOR THE ACQUISITION

Given the Qingdao Haier's interest in VS Haier, Qingdao Haier and/or other members of the Haier Group have been the major customers of VS Haier since its commencement of operation in March 2002. For the year ended 31 July 2002 and six months ended 31 January 2003, the sales of VS Haier to members of the Haier Group amounted to RMB11.88 million (equivalent to approximately HK\$11.21 million) and RMB43.60 million (equivalent to approximately HK\$41.13 million) respectively, representing 91.67% and 97.89% of VS Haier's total turnover for the relevant periods, respectively. Upon completion of the Acquisition, VS Haier may diversify its customers base by seeking other business opportunities without the influence of Qingdao Haier, and the risk of over-reliance on the Haier Group can be thereby avoided.

Further, the operation and management of VS Haier will be wholly controlled by the Group. The Directors believe that the Acquisition will enhance the efficiency of VS Haier's administration. The Directors further believe that, by sharing of the Group's production facilities and resources of HAIVS Qingdao and VS Haier, the Group's resources can be utilised more efficiently and its operational expenses in Qingdao can be reduced. The Directors consider that the Acquisition can enhance the Group's profitability in a long run.

The Directors, including the independent non-executive Directors, consider that the Acquisition is on normal commercial terms and is in the interest of the Group and the Shareholders as a whole. The Directors are of the view that the terms and conditions of the Equity Transfer Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

## CONNECTED TRANSACTION

Given that Qingdao Haier is a substantial shareholder of VS Haier which is a non-wholly owned subsidiary of the Company and the Purchase Price exceeded the higher of HK\$10 million or 3% of the book value of the Group's net tangible assets, the Acquisition constitutes a connected transaction for the Company under the Listing Rules and is subject to the disclosure requirements and the Independent Shareholders' approval in general meeting under Rule 14.26 of the Listing Rules.

Under the Listing Rules, any connected person interested in the Acquisition and its associates will be required to abstain from voting on the resolutions approving the Acquisition at the relevant general meeting. The Directors confirm that none of Qingdao Haier, any person interested in the Acquisition and their respective associates is a Shareholder as at the date of this announcement and would have been required to abstain from voting if a general meeting of the Shareholders had been convened to approve the Acquisition. Accordingly, the Company is seeking confirmation from the Stock Exchange that the approval of the Acquisition by the Independent Shareholders may be obtained by means of written approval by an Independent Shareholder who holds more than 50% in nominal value of the issued share capital of the Company. VVS Co., Ltd., a controlling Shareholder holding approximately 51.98% interest in the entire issued share capital of the Company and being one of the Independent Shareholders, has given its written approval to the Acquisition.

A circular containing details of the Acquisition, a letter from an independent financial adviser and a letter from the independent board committee, will be despatched to the Shareholders as soon as possible.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest from Qingdao Haier by HAIVS Qingdao pursuant to the terms and conditions of the Equity Transfer Agreement, details of which are set out in the section headed “ <b>Equity Transfer Agreement</b> ” of this announcement
“Company”	V.S. International Group Limited (威誠國際集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 16 May 2003 and entered into between HAIVS Qingdao, Qingdao Haier and VS Investment in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Haier Group”	Qingdao Haier, its holding company, subsidiaries and affiliated companies and other subsidiaries and affiliated companies of its holding company

# V.S. International Group Limited

“HAIVS Qingdao”	海士茂電子塑膠(青島)有限公司(HAIVS Industry (Qingdao) Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and is wholly owned by VS Investment
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Qingdao Haier and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchase Price”	RMB14.80 million (equivalent to approximately HK\$13.96 million), being the consideration payable by HAIVS Qingdao to Qingdao Haier for the purchase of the Sale Interest
“Qingdao Haier”	青島海爾投資發展有限公司(Qingdao Haier Investment Development Limited*), a limited liability company established in the PRC, which is one of the joint venture parties of VS Haier holding 20% interest in the registered capital of VS Haier
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 20% interest in the registered capital of VS Haier beneficially owned by Qingdao Haier
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	shareholder(s) of the Company
“VS Haier”	海爾威城電子塑膠製品(青島)有限公司 (V.S. Haier Electronics Plastic (Qingdao) Co., Ltd.*), a sino-foreign equity joint venture established in the PRC and owned as to 80% by VS Investment and 20% by Qingdao Haier prior to the Acquisition
“VS Investment”	V.S. Investment Holdings Limited (威城投資控股有限公司*), a company incorporated under the laws of the British Virgin Islands and is beneficially owned as to approximately 99.99995% by the Company, as to approximately 0.00003% in aggregate by Messrs. Beh Kim Ling, Gan Sem Yam and Madam Gan Chu Cheng and as to approximately 0.00002% by EVS Co., Ltd.
“%”	per cent.

*For the purpose of this announcement, translations of HK\$ into RMB or vice versa have been calculated by using an exchange rate of HK\$1.00 = RMB1.06*

By order of the board of Directors of  
**V.S. International Group Limited**  
**Beh Kim Ling**  
*Chairman*

Malaysia, 16 May 2003

\* *for identification purposes only*

Please also refer to the published version of this announcement in The Standard dated on 19-5-2003.