

# V.S. International Group Limited

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## V.S. International Group Limited

威 鉞 國 際 集 團 有 限 公 司

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

### JOINT VENTURE AGREEMENT POSSIBLE CONNECTED TRANSACTIONS

The Directors is pleased to announce that VSII, a wholly owned subsidiary of the Company, entered into the conditional Joint Venture Agreement with Andes and STX on 30 November 2002 for the cooperation and joint investment in the PRC for the manufacture of, among other things, the Products in the PRC.

The Joint Venture Agreement is conditional and shall become effective upon the satisfaction of the conditions set out in the section headed “**Duration and conditions of the Joint Venture Agreement**” below.

As one of the conditions of the Joint Venture Agreement, each of VSII, Andes and STX shall enter into good faith negotiations toward the consummation of the Share Purchase and Subscription Agreement for the proposed acquisition by Andes and STX from VSII of an aggregate of 29 Shares for cash at HK\$1 per Share, and the joint subscription by each of VSII, Andes and STX of an aggregate of 15,599,900 new Shares for cash at HK\$1 per Share. Upon completion of the Share Purchase and Subscription Agreement, the entire issued share capital of VSA(HK) will then be beneficially owned as to 71% by VSII, 19% by Andes and 10% by STX.

Under the Joint Venture Agreement, VSII has conditionally agreed to grant to Andes and STX the Call Option, the terms of which are set out in the section headed “**The Call Option**” below. The parties shall also enter into negotiations for the terms of the Material Supply Agreement and the Technical License and Assistance Agreement.

Assuming the signing and completion of the Share Purchase and Subscription Agreement, the grant and the disposal of Shares pursuant to the exercise of the Call Option would constitute a connected transaction for the Company under the Listing Rules and would subject to the relevant requirements for connected transactions under Chapter 14 of the Listing Rules. Further announcement will be made when the parties enter into the Share Purchase and Subscription Agreement.

Assuming the signing and completion of the Share Purchase and Subscription Agreement, the signing and the implementation of the transactions under the Material Supply Agreement and the Technical License and Assistance Agreement may constitute notifiable and/or connected transactions for the Company under the Listing Rules. Further announcements will be made in compliance with the relevant requirements for notifiable and/or connected transactions under Chapter 14 of the Listing Rules, or appropriate waiver in respect thereof shall be applied in respect of these notifiable and/or connected transactions as and when needed.

However, it was agreed by the parties to the Joint Venture Agreement that, should the relevant parties fail to reach agreement on the terms and conditions of, and to enter into, any of the Share Purchase and Subscription Agreement, the Material Supply Agreement and the Technical License and Assistance Agreement on or prior to 31 January 2003, or completion of the Share Purchase and Subscription Agreement fails to take place in accordance with its terms and conditions, the Joint Venture Agreement shall lapse and shall have no effect on any of the parties.

**As the transactions under the Joint Venture Agreement are conditional and may not proceed, due caution and care should be exercised when dealing in the shares of the Company.**

#### THE JOINT VENTURE AGREEMENT

Date: 30 November 2002

Parties: VSII, Andes and STX

Both Andes and STX are independent of and not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates, as defined under the Listing Rules.

Under the Joint Venture Agreement, VSII, a wholly owned subsidiary of the Company, agreed with Andes and STX to cooperate and jointly invest in the manufacture of, among other things, the Products and the assembly of accessory electronic information products in the PRC through their proposed joint investment in VSA(HK), and VSA(HK)'s investment in VSA China.

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VSA(HK) is a wholly owned subsidiary of the Company incorporated in Hong Kong, the entire issued share capital which is currently owned by VSII, another wholly owned subsidiary of the Company. VSA(HK) and VSII signed an articles of association for the establishment of VSA China, a wholly foreign owned enterprise in Zhuhai, the PRC, on 25 November 2002. Pursuant to such articles of association of VSA China, the total investment and the registered capital of VSA China are US\$28,000,000 and US\$15,000,000 respectively. VSII will contribute US\$14,250,000 comprising US\$12,800,000 of equipment and US\$1,450,000 in cash and representing 95% of the registered capital of VSA China, whereas VSA(HK) will contribute US\$750,000 in cash, representing 5% of the registered capital of VSA China. VSA China obtained its PRC business licence on 2 December 2002 and became formally established on that date.

## THE COOPERATIONS

### Share Purchase and Subscription Agreement

Under the Joint Venture Agreement, each of VSII, Andes and STX agreed to enter into good faith negotiations toward the consummation of the Share Purchase and Subscription Agreement for the following proposed acquisition and subscription of Shares:

#### Shares acquisition

Parties: VSII (as seller)  
Andes and STX (as purchasers)

Number of Shares: VSII shall sell to each of Andes and STX 19 and 10 Shares, respectively, which represent 19% and 10% of the existing issued share capital of VSA(HK), respectively.

Consideration: for cash at HK\$1 per Share

#### Shares subscription

Parties: VSII, Andes and STX (as subscribers)  
VSA(HK) (as company)

Number of Shares: Each of VSII, Andes and STX shall subscribe for an aggregate of 15,599,900 new Shares proportional to their then shareholding ratio as follows:

VSII (11,075,929 Shares) (71%)  
Andes (2,963,981 Shares) (19%)  
STX (1,559,990 Shares) (10%)

Consideration: for cash at HK\$1 per Share

The Share Purchase and Subscription Agreement has not been entered into by the above parties as at the date of this announcement and therefore may subject to further changes as the parties may otherwise agree. Further announcement will be made upon the entering into of the Share Purchase and Subscription Agreement.

### Technical support and supply of raw materials

Under the Joint Venture Agreement, Andes agreed to provide VSA(HK) and VSA China with such technologies and technical knowhow for the manufacturing of the Products, and such other technological support and assistance in connection thereof. STX agreed to supply VSA(HK) and VSA China with such necessary production materials for the manufacturing of the Products.

In connection to the above, it was agreed that the parties shall negotiate in good faith and agreed on the terms and conditions of the Technical License and Assistance Agreement and the Material Supply Agreement to be entered into by the relevant parties as soon as possible after the date of the Joint Venture Agreement.

### Sales of the Products

VSA(HK) and STX may enter into sales contract for the sales and marketing of the Products by STX and the parties agreed to negotiate in good faith for the terms of thereof after the date of the Joint Venture Agreement.

### Financial supports

VSII agreed to use its best endeavours to assist VSA(HK) in raising further funds required by VSA(HK) for its business development without the assistance of Andes and STX provided that unless VSII agrees otherwise, VSII shall not be required to provide any guarantee or other security(ies) in respect of such further funds to be raised by VSA(HK).

## DURATION AND CONDITIONS OF THE JOINT VENTURE AGREEMENT

The Joint Venture Agreement shall take effect from the date of completion of the Share Purchase and Subscription Agreement and shall continue until terminated pursuant to its terms. It was agreed by the parties that, should the relevant parties fail to reach agreement on the terms and conditions of, and to enter into, any of the Share Purchase and Subscription Agreement, the Material Supply Agreement and the Technical License and Assistance Agreement on or prior to 31 January 2003, or completion of the Share Purchase and Subscription Agreement fails to take place in accordance with its terms and conditions, the Joint Venture Agreement shall lapse and shall have no effect on any of the parties.

**As the transactions under the Joint Venture Agreement are conditional and may not proceed, due caution and care should be exercised when dealing in the shares of the Company.**

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## THE CALL OPTION

Under the Joint Venture Agreement, VSII has conditionally agreed to grant to Andes and STX at nil consideration an option to purchase such additional number of Shares which, together with all the Shares already held by them, represent up to 49% of the entire issued share capital of VSA(HK) from VSII. The purchase price payable by the parties exercising such option shall be the higher of (i) HK\$1 or (ii) the net asset value of VSA(HK) as shown in its latest audited consolidated accounts which the Shares to be purchased under the Call Option represent. There is no time limit for the exercise of the Call Option.

The Call Option is one of the terms of the Joint Venture Agreement and shall only take effect upon the Joint Venture Agreement becoming effective.

## REASONS FOR THE JOINT VENTURE AGREEMENT

The Group has been principally engaged in the business of, among other businesses, the assembly of electronic parts and components and also used surface mounting technology and automatic insertion technology for the production of printed circuit boards for audio products and remote controls.

Andes is one of the major developers of the automatic chip adhesion and automatic insertion technology and has extensive experience in the manufacturing of the Products. STX is a worldwide distributor of electronic products and has extensive worldwide marketing and distribution networks.

The Directors expect that, with strong technological support from Andes, the overall technology capability of the Group can be thereby improved and the Group may use these technologies to expand its business to high-end electronic products assembly. The grave distribution capability of STX can also help the Group to capture the business opportunities in respect of these high market potential products and enlarge its market shares worldwide.

## POSSIBLE CONNECTED TRANSACTIONS

Upon completion of the Share Purchase and Subscription Agreement, the entire issued share capital of VSA(HK) will then be beneficially owned as to 71% by VSII, 19% by Andes and 10% by STX. Each of Andes and STX would become substantial shareholders of VSA(HK) and thus connected persons to the Company under the Listing Rules.

Assuming the signing and completion of the Share Purchase and Subscription Agreement, the grant and the disposal of Shares pursuant to the exercise of the Call Option would constitute a connected transaction for the Company under the Listing Rules and would subject to the relevant requirements for connected transaction under Chapter 14 of the Listing Rules. Further announcement will be made when the parties enter into the Share Purchase and Subscription Agreement.

Assuming the signing and completion of the Share Purchase and Subscription Agreement, the signing and the implementation of the transactions under the Joint Venture Agreement (including but not limited to the provision of necessary financial assistance by VSII and the sales and marketing of the Products by STX mentioned above), the Material Supply Agreement and the Technical License and Assistance Agreement may constitute notifiable and/or connected transactions for the Company under the Listing Rules. The parties have not reached any agreement on the terms and conditions of these transactions (including the consideration involved) as at the date of this announcement. Further announcements will be made in compliance with the relevant requirements for notifiable and/or connected transactions under Chapter 14 of the Listing Rules, or appropriate waiver in respect thereof shall be applied in respect of these notifiable and/or connected transactions as and when needed.

## DEFINITIONS

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

“Andes”	Andes Electric Co., Ltd., a company incorporated in Japan
“Call Option”	an option granted by VSII to Andes and STX for the purchase of certain Shares from VSII, details of which are set out in the section headed “ <b>The Call Option</b> ” above
“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 of Hong Kong Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Joint Venture Agreement”	the conditional joint venture agreement dated 30 November 2002 and entered into between VSII, Andes and STX, details of which are set out in this announcement
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Material Supply Agreement”	the material supply agreement to be entered into between STX and VSA(HK) for the supply of such necessary production materials for the manufacturing of the Products by STX to VSA(HK) and/or VSA China
“PRC”	the People’s Republic of China
“Products”	printed circuit board and its related electronics semi-finished and/or finished products using automatic chip adhesion and automatic insertion technology

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“Share(s)”	share(s) of HK\$1 each in the share capital of VSA(HK)
“Share Purchase and Subscription Agreement”	the share purchase and subscription agreement to be entered into by VSII, Andes, STX and VSA(HK), details of which are set out in the paragraph “ <b>Share Purchase and Subscription Agreement</b> ” under the section headed “ <b>The Cooperations</b> ” above
“STX”	Sumitronics Hong Kong Ltd., a company incorporated in Hong Kong
“Technical License and Assistance Agreement”	the technical license and assistance agreement to be entered into between Andes and VSA(HK) for the provision by Andes to VSA(HK) and/or VSA China of such technologies and technical knowhow for the manufacturing of the Products, and such other technological support and assistance in connection thereof
“US\$”	dollars of the United States of America, the lawful currency of the United States of America
“VSA China”	VSA Electronics Technology (Zhuhai) Co., Ltd. (威士茂安商住電子科技(珠海)有限公司), a wholly foreign owned enterprise to be set up in Zhuhai, the PRC jointly by VSII and VSA(HK)
“VSA(HK)”	VSA Holding Hong Kong Co., Limited (威士茂安商住控股香港有限公司), a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company
“VSII”	V.S. International Industry Limited (威鉞國際工業有限公司*), a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of the Company
“%”	per cent.

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

Shenzhen, the PRC  
9 December 2002

\* *for identification purposes only*

Please also refer to the published version of this announcement in The Standard dated on 10-12-2002.