

*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.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.*



## **YUSEI HOLDINGS LIMITED**

**友成控股有限公司\***

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

(Stock Code: 8319)

### **(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 30% EQUITY INTEREST IN HANGZHOU YUSEI INDUSTRIAL COMPANY, LIMITED; AND (2) PROPOSED GRANT OF THE GENERAL MANDATE**

**Financial adviser to Yusei Holdings Limited**



#### **THE ACQUISITION**

The Board announced that on 15 December 2008, the Company as the purchaser and Yusei Japan as the vendor entered into the conditional Acquisition Agreement pursuant to which the Company has agreed to acquire 30% equity interest in Yusei Industrial from Yusei Japan at the Consideration of US\$3 million (equivalent to approximately HK\$23.3 million) which will be satisfied by way of issue of the Convertible Note by the Company to Yusei Japan upon Completion. The Company and Yusei Japan also entered into the Deed of Representations and Warranties on 15 December 2008 whereby Yusei Japan has given certain representations and warranties in favour of the Company in relation to the Acquisition.

As at the date of this announcement, Yusei Industrial is principally engaged in the design, manufacture and sales of precision moulds with its principal asset being the Property.

The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As Yusei Japan owned 66% of the issued share capital of the Company as at the date of this announcement and is the controlling Shareholder, Yusei Japan is a connected person of the Company. The Acquisition (including the issue of the Convertible Note) therefore also constitutes a connected transaction for the Company and is subject to announcement, reporting and Independent Shareholders' approval requirements under the GEM Listing Rules. Yusei Japan and its associates shall abstain from voting on the resolution approving the Acquisition at the EGM. Furthermore, as Yusei Industrial is owned as to 70% by a brother of Mr. Xu Yong, Mr. Xu Yong and his associates shall also abstain from voting on the resolution approving the Acquisition at the EGM.

## **PROPOSED GRANT OF THE GENERAL MANDATE**

With a view to providing the Company with flexibility to finance future investments or projects when opportunities arise, the Board proposes to seek the approval from the Shareholders to grant a general unconditional mandate to the Directors to allot, issue and deal with new Shares not exceeding 20% of the total nominal amount of the share capital of the Company in issue at the time of passing the relevant resolution granting the General Mandate.

### **GENERAL**

A circular containing, among others, (1) further details of the Acquisition (including the issue of the Convertible Note); (2) the recommendations of the Independent Board Committee to the Independent Shareholders regarding the Acquisition; (3) the advice of an independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition; (4) further details of the proposed grant of the General Mandate; and (5) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

### **(I) THE ACQUISITION**

The Board announced that on 15 December 2008, the Company as the purchaser and Yusei Japan as the vendor entered into the conditional Acquisition Agreement pursuant to which the Company has agreed to acquire 30% of the equity interest in Yusei Industrial from Yusei Japan at the Consideration of US\$3 million (equivalent to approximately HK\$23.3 million) which will be satisfied by way of issue of the Convertible Note by the Company to Yusei Japan upon Completion. The Company and Yusei Japan also entered into the Deed of Representations and Warranties on 15 December 2008 whereby Yusei Japan has given certain representations and warranties in favour of the Company in relation to the Acquisition.

#### **The Acquisition Agreement**

##### *Date*

15 December 2008

##### *Parties*

Vendor: Yusei Japan, a company established in Shizuoka, Japan and is principally engaged in the design, fabrication and sales of plastic injection moulds

Purchaser: the Company

As at the date of this announcement, Yusei Japan owned 66% of the issued share capital of the Company and is the controlling Shareholder. Accordingly, Yusei Japan is a connected person of the Company.

### *Assets to be acquired*

30% equity interest in Yusei Industrial.

### *Consideration*

The Consideration of US\$3 million (equivalent to approximately HK\$23.3 million) will be settled by way of issue of the Convertible Note by the Company to Yusei Japan upon Completion.

The Consideration was arrived at after arm's length negotiation between the parties to the Acquisition Agreement with reference to, among others, the net assets value of Yusei Industrial as adjusted by the valuation of the Property of RMB56.7 million (equivalent to approximately HK\$64.1 million) as at 31 October 2008 as valued by the Valuer. The Consideration represents a discount of approximately 9.3% to the amount of the attributable interest of the adjusted net assets value of Yusei Industrial as at 30 September 2008 of approximately RMB22.7 million (equivalent to approximately HK\$25.7 million).

### *Conditions Precedent*

Completion shall be conditional upon:

- (a) the passing of a resolution by the Shareholders (other than those who are required to abstain from voting under the GEM Listing Rules) at the EGM approving the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Note and the Conversion Shares) in compliance with the GEM Listing Rules;
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (c) the obtaining of all necessary PRC government's consents and regulatory approvals in respect of the Acquisition Agreement and the transactions contemplated thereunder; and
- (d) the representations and warranties given by Yusei Japan in respect of the Acquisition remaining true, accurate, complete and not misleading in all material respects as at the date of the Acquisition Agreement and Completion.

The Company may at any time waive the above condition (d) by notice in writing to Yusei Japan.

### *Completion*

Completion shall take place upon the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Acquisition Agreement.

## Convertible Note

The principal terms of the Convertible Note are as follows:

- Issuer: The Company.
- Principal amount: US\$3 million in aggregate.
- Maturity date: The date falling on the third anniversary of the first issue of the Convertible Note.
- Interest: The Convertible Note shall not bear any interest.
- Transferability: The Convertible Note shall not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. In the event that Yusei Japan is the holder of the Convertible Note, Yusei Japan is entitled to transfer the Convertible Note (in amount of a whole multiple of US\$100,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Note) to its holding company and/or wholly-owned subsidiaries provided that Mr. Katsutoshi Masuda and/or his family interest is/are the ultimate controlling shareholders and beneficial owner of such holding company and/or wholly-owned subsidiaries at the time of transfer. The Company will notify the Stock Exchange immediately upon becoming aware of any dealings in the Convertible Note by connected persons of the Company. The Convertible Note shall not be transferable except as aforesaid.
- Conversion: A holder of the Convertible Note, subject to compliance with public float requirement pursuant to the GEM Listing Rules by the Company, shall have the right at any time and from time to time during the period commencing immediately after the date of issue of the Convertible Note up to and including the maturity date to convert the whole or part of the principal amount of the Convertible Note in amount of a whole multiple of US\$100,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Note at an exchange rate of US\$1.00 to HK\$7.75. No fractional Conversion Share will be issued on conversion and an equivalent cash payment in Hong Kong dollars in respect of such fraction (except in cases where any such cash payment would amount to less than HK\$10.00) will be made to the holder of the Convertible Note. There is no restriction on subsequent sale of the Conversion Shares.
- Initial Conversion Price: The Convertible Note shall be converted at the Initial Conversion Price of HK\$2.00 per Conversion Share (subject to adjustments).

**Redemption:** The Company may at any time redeem the whole or part of the Convertible Note which remains outstanding prior to its maturity date in amount of a whole multiple of US\$100,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Note.

Unless previously converted or redeemed, the Company shall redeem the Convertible Note at its outstanding principal amount without any interest on its maturity date.

Save for the occurrence of any events of default as set out in the terms and conditions of the Convertible Note, the holder thereof shall not be entitled to demand for early repayment of the Convertible Note.

**Voting rights:** The holder of the Convertible Note will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Note.

**Ranking:** The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Note will, when issued, rank pari passu in all respects with all other Shares in issue as at the date of conversion.

**Listing:** The Convertible Note will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

### *Conversion Shares*

Upon full conversion of the Convertible Note at the Initial Conversion Price (subject to adjustments) and for illustration only, a total of 11,625,000 Conversion Shares will be issued, representing (i) approximately 7.3% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.8% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to a specific mandate to be sought at the EGM.

The Initial Conversion Price of HK\$2.00 per Conversion Share represents (i) a premium of approximately 5.3% over the closing price of HK\$1.90 per Share as quoted on the Stock Exchange on 15 December 2008, being the date of the Acquisition Agreement; (ii) a premium of approximately 5.3% over the average of the closing prices of HK\$1.90 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the date of the Acquisition Agreement; (iii) a premium of approximately 3.6% over the average of the closing prices of approximately HK\$1.93 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the date of the Acquisition Agreement; and (iv) a premium of approximately 62.6% to the net assets value per Share as at 30 June 2008 of approximately HK\$1.23.

## The Deed of Representations and Warranties

### *Date*

15 December 2008

### *Parties*

- (1) Yusei Japan, a company established in Shizuoka, Japan and is principally engaged in the design, fabrication and sales of plastic injection moulds
- (2) the Company

### *Subject Matter*

The Company and Yusei Japan entered into the Deed of Representations and Warranties on 15 December 2008, which, as a separate and independent document from the Acquisition Agreement, contained detailed representations and warranties given by Yusei Japan in favour of the Company in relation to the Acquisition.

The Deed of Representations and Warranties is part and parcel of the Acquisition and confers protection on the Company as regards the assets, liabilities, financial position and state of affairs of Yusei Industrial. Pursuant to the terms of the Deed of Representations and Warranties, Yusei Japan shall indemnify the Company against any losses and expenses incurred as a result of breach by Yusei Japan of the representations and warranties contained therein.

### **Effects on the shareholding structure of the Company**

Set out below is a table showing the Company's shareholding structure (i) as at the date of this announcement; and (ii) immediately after issue of the Conversion Shares upon full conversion of the Convertible Note at the Initial Conversion Price by Yusei Japan, assuming that there is no other change in the issued share capital of the Company save for the issue of the Conversion Shares:

	As at the date of this announcement		Upon full conversion of the Convertible Note at the Initial Conversion Price	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Yusei Japan	105,600,000	66.0	117,225,000	68.3
Mr. Xu Yong	9,600,000	6.0	9,600,000	5.6
Public Shareholders	44,800,000	28.0	44,800,000	26.1
	<b>160,000,000</b>	<b>100.0</b>	<b>171,625,000</b>	<b>100.0</b>

## **Information on Yusei Industrial**

Yusei Industrial is a sino-foreign joint venture enterprise established by a brother of Mr. Xu Yong and Yusei Japan in the PRC with limited liability on 25 February 2003 and has a fully paid-up registered capital of US\$8 million (equivalent to HK\$62 million). As at the date of this announcement, Yusei Industrial was owned as to 70% by a brother of Mr. Xu Yong and as to 30% by Yusei Japan. The total investment cost contributed by Yusei Japan to Yusei Industrial is US\$2.4 million (equivalent to approximately HK\$18.6 million).

Yusei Industrial is principally engaged in the design, manufacture and sales of precision moulds with a term of operation for 50 years until 24 February 2053. Yusei Industrial has commenced such business since August 2007 with its products principally exported to overseas markets. The major asset of Yusei Industrial is the Property which is situated at No. 335 Hongxing Road, Qiaonan Area, Xiaoshan Economic & Technological Development Zone in Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省蕭山經濟技術開發區橋南區鴻興路335號), comprising a parcel of land with a total site area with land use rights certificate of 59,996 sq. m. on which the construction of nine blocks of buildings with a total gross floor area of approximately 53,250 sq. m. were completed while two blocks of buildings with a total gross floor area of approximately 5,622 sq. m. are under construction. The Property is designated for industrial and dormitory purposes, of which approximately 23,919 sq. m. are being occupied by Yusei Industrial as its production base and staff quarters, approximately 15,573 sq. m. are leased to Independent Third Parties as production base and 13,645 sq. m. are leased to the Company as its production base.

Based on its audited financial statements for the year ended 31 December 2007 prepared under the PRC GAAP, Yusei Industrial had an audited net assets value of approximately RMB65.3 million (equivalent to approximately HK\$73.8 million) as at 31 December 2007. The audited net loss before and after taxation of Yusei Industrial were nil and approximately RMB171,241 (equivalent to approximately HK\$0.2 million) for the two years ended 31 December 2007 respectively. The unaudited net profit of Yusei Industrial was approximately RMB320,185 (equivalent to approximately HK\$0.4 million) for the nine months ended 30 September 2008.

## **Reasons for and benefits of the Acquisition**

The Group is principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the PRC, with its principal operation located in Hangzhou, the PRC. The Group also provides services for certain assembling and further processing of plastic components for its customers.

Through the Acquisition, the Group can further develop its business network with an opportunity to explore the overseas markets through Yusei Industrial's business network and experience in overseas markets, which in turn enhance the customer and revenue base of the Group.

Based on the above, the Directors (other than members of the Independent Board Committee who will be advised by the independent financial adviser) consider that the Acquisition Agreement (including the terms of the Convertible Note) is on normal commercial terms which are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole.

### **Fund raising activities of the Company in the twelve months immediately preceding the date of this announcement**

The Company has not effected any equity fund raising exercises in the twelve months immediately preceding the date of this announcement.

## **(II) PROPOSED GRANT OF THE GENERAL MANDATE**

With a view to providing the Company with flexibility to finance future investments or projects when opportunities arise, the Board proposes to seek the approval from the Shareholders to grant a general unconditional mandate to the Directors to allot, issue and deal with new Shares not exceeding 20% of the total nominal amount of the share capital of the Company in issue at the time of passing the relevant resolution granting the General Mandate.

Based on 160,000,000 Shares in issue as at the date of this announcement and assuming there is no change in the issued share capital of the Company until the date of the EGM, the General Mandate, if granted, will empower the Directors to allot, issue and deal with up to a maximum of 32,000,000 new Shares. However, the Company has no current plan to issue any Shares under the General Mandate.

The General Mandate, if granted, shall expire (i) at the conclusion of the Company's next annual general meeting; (ii) at the expiry of the period within which the Company is required by applicable laws or its articles of association to hold its next annual general meeting; or (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

## **GEM LISTING RULES IMPLICATIONS**

The Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. As Yusei Japan owned 66% of the issued share capital of the Company as at the date of this announcement and is the controlling Shareholder, Yusei Japan is a connected person of the Company. The Acquisition (including the issue of the Convertible Note) therefore also constitutes a connected transaction for the Company and is subject to announcement, reporting and Independent Shareholders' approval requirements under the GEM Listing Rules. Yusei Japan and its associates shall abstain from voting on the resolution approving the Acquisition at the EGM. Furthermore, as Yusei Industrial is owned as to 70% by a brother of Mr. Xu Yong, Mr. Xu Yong and his associates shall also abstain from voting on the resolution approving the Acquisition at the EGM.



## **GENERAL**

A circular containing, among others, (1) further details of the Acquisition (including the issue of the Convertible Note); (2) the recommendations of the Independent Board Committee to the Independent Shareholders regarding the Acquisition; (3) the advice of an independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition; (4) further details of the proposed grant of the General Mandate; and (5) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the proposed acquisition of 30% equity interest in Yusei Industrial by the Company from Yusei Japan pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 15 December 2008 entered into between the Company and Yusei Japan in respect of the Acquisition
“associate(s)”	the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Yusei Holdings Limited (stock code: 8319), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	the completion of the Acquisition Agreement pursuant to its terms and conditions
“connected person(s)”	the meaning ascribed to it under the GEM Listing Rules
“Consideration”	US\$3 million (equivalent to approximately HK\$23.3 million) to be satisfied by the Company upon Completion
“controlling shareholder”	the meaning ascribed to it under the GEM Listing Rules
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Note

“Convertible Note”	redeemable convertible note with principal amount of US\$3 million to be issued by the Company to Yusei Japan upon Completion pursuant to the Acquisition Agreement
“Deed of Representations and Warranties”	the deed of representations and warranties dated 15 December 2008 entered into between the Company and Yusei Japan
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if though fit, approving the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Note) and the proposed grant of the General Mandate
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general unconditional mandate proposed to be granted by the Shareholders to the Directors to exercise the power of the Company to allot, issue and deal with new Shares not exceeding 20% of the total nominal amount of the share capital of the Company in issue at the time of passing the relevant resolution on the terms set out in the notice of the EGM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders regarding the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Convertible Note)
“Independent Shareholders”	Shareholders other than the following: Yusei Japan, Mr. Xu Yong and their respective associates, and those who are required to abstain from voting at the EGM approving the Acquisition
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company and are not connected persons of the Company

“Initial Conversion Price”	HK\$2.00 per Conversion Share (subject to adjustments)
“Mr. Xu Yong”	an executive Director whose brother owned 70% equity interest in Yusei Industrial as at the date of this announcement
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	accounting principles generally accepted in the PRC
“Property”	comprising a piece of land held by Yusei Industrial and located at No. 335 Hongxing Road, Qiaonan Area, Xiaoshan Economic & Technological Development Zone in Xiaoshan District, Hangzhou City, Zhejiang Province, the PRC (中國浙江省蕭山經濟技術開發區橋南區鴻興路335號) with a total site area with land use rights certificate of 59,996 sq. m., on which buildings for industrial and dormitory purposes were built or are under construction
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“sq. m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	Asset Appraisal Limited, a professional property valuer and an Independent Third Party
“Yusei Industrial”	杭州友成實業有限公司 (Hangzhou Yusei Industrial Company, Limited*), formerly known as 杭州友成置業有限公司 (Hangzhou Yusei Property Company Limited*), a sino-foreign joint venture enterprise established under the laws of the PRC, and was owned as to 70% by a brother of Mr. Xu Yong and as to 30% by Yusei Japan as at the date of this announcement
“Yusei Japan”	株式會社友成機工 (Yusei Machinery Corporation), a company incorporated in Japan with limited liability and the controlling Shareholder

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese version shall prevail.*

*Unless otherwise specified in this announcement, translations of RMB into HK\$ and US\$ into HK\$ are made in this announcement, for illustration only, at the rate of RMB1.00 to HK\$1.13 and US\$1.00 to HK\$7.75 respectively. No representation is made that any amount in RMB or US\$ could have been or could be converted at those rates or any other rates.*

By order of the Board  
**Yusei Holdings Limited**  
**Katsutoshi Masuda**  
*Chairman*

PRC, 15 December 2008

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Keisuke Murakoshi and Mr. Xu Yong, four non-executive Directors, namely Mr. Katsutoshi Masuda, Mr. Akio Suzuki, Mr. Toshimitsu Masuda and Mr. Toshinobu Ito, and three independent non-executive Directors, namely Mr. Lo Ka Wai, Mr. Fan Xiaoping and Mr. Hisaki Takabayashi.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*

\* *for identification purpose only*