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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)

(stock code: 1002)

CONTINUING CONNECTED TRANSACTIONS CONCERNING SALE OF MOULDS AND PLASTIC MOULDED PRODUCTS AND PARTS

SALE OF MOULDS AND PLASTIC MOULDED PRODUCTS AND PARTS

Reference is made to the announcement of the Company dated 16 November 2007. Pursuant to the Master Supply Agreement, the Group has been selling the Products to the VS Berhad Group on an ongoing basis, and the continuing connected transactions under the Master Supply Agreement and the Approved Caps had been approved by the Board. As VS Berhad is a substantial shareholder of the Company, VS Berhad is a connected person of the Company.

Based on the recent projection on the purchase of the Products by the VS Berhad Group under the Master Supply Agreement, the Directors note that the continuing connected transactions under the Master Supply Agreement continue after the expiry on 31 July 2011. Accordingly, on 24 September 2011, VSIIL (for itself and on behalf of the other members of the VSIIL Group) entered into the New Master Supply Agreement with VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) to ensure continual supply of the Products by the VSIIL Group to the VS Berhad Group after the expiry of the term of the Master Supply Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios for the proposed caps under the Continuing Connected Transactions are not expected to exceed 25% and the annual consideration receivable from the VS Berhad Group in respect of the Continuing Connected Transactions is not expected to exceed HK\$10 million, the Continuing Connected Transactions constitute continuing connected transactions exempt from the independent shareholders' approval requirements of the Company under Rule 14A.34 of the Listing Rules and such transactions and the proposed caps under the Continuing Connected Transactions are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

SALE OF MOULDS AND PLASTIC MOULDED PRODUCTS AND PARTS

Background of the New Master Supply Agreement

Reference is made to the announcement of the Company dated 16 November 2007. Pursuant to the Master Supply Agreement, the VSIIL Group has agreed to sell, and the VS Berhad Group has agreed to purchase the Products (i.e. moulds designed and fabricated by the VSIIL Group and certain plastic moulded products and parts manufactured by the VSIIL Group) from the VSIIL Group during the term of the Master Supply Agreement. The continuing connected transactions pursuant to the Master Supply Agreement had been approved by the Board.

The approved caps under the Master Supply Agreement for the three years ended 31 July 2011 are HK\$91,806,000, HK\$110,323,000 and HK\$132,700,000 respectively. For the three years ended 31 July 2011, the sales of Products by the Group to the VS Berhad Group amounted to approximately HK\$10,098,000, HK\$935,000 and HK\$2,710,000 respectively. The Approved Caps were not exceeded during the three years ended 31 July 2011.

The Master Supply Agreement was entered into between VSIIL (for itself and on behalf of the other member of the VSIIL Group) and VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) on 16 November 2007, pursuant to which the Group agreed to sell the Products to VS Berhad or other members of the VS Berhad Group. The actual amount, specification and price of the Products to be supplied under the Master Supply Agreement are subject to individual orders placed by the VS Berhad Group with the VSIIL Group. The Master Supply Agreement is for a period from 1 August 2008 to 31 July 2011 unless terminated earlier according to the terms and conditions of the Master Supply Agreement. The terms of the Master Supply Agreement were arrived at after arm's length negotiation between the Group and VS Berhad and are fair and reasonable so far as the Group and the Shareholders are concerned.

Proposal to renew the Master Supply Agreement

The Master Supply Agreement has a term expired on 31 July 2011 unless terminated earlier by three months' written notice by either party.

Based on the recent projection on the purchase of Products by VS Berhad Group under the Master Supply Agreement, the Directors note that the continuing connected transactions under the Master Supply Agreement continue after the expiry on 31 July 2011. Accordingly, on 24 September 2011, VSIIL (for itself and on behalf of the other members of the VSIIL Group) entered into the New Master Supply Agreement with VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) to ensure continual supply of the Products by the VSIIL Group to the VS Berhad Group after the expiry of the term of the Master Supply Agreement.

Principal terms of New Master Supply Agreement

Pursuant to the New Master Supply Agreement, VSIIL (for itself and on behalf of the other members of the VSIIL Group) has agreed to sell, and VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) has agreed to purchase moulds and plastic moulded products and parts to be supplied by the VSIIL Group during the term of the New Master Supply Agreement. The actual amount, specification and price of moulds and plastic moulded products and parts to be supplied under the New Master Supply Agreement will be subject to individual orders placed by the VS Berhad Group with the VSIIL Group.

The VSIIL Group and the VS Berhad Group have acknowledged under the New Master Supply Agreement that:

- (a) the supply of moulds and plastic moulded products and parts under the New Master Supply Agreement will be on normal commercial terms; and
- (b) the VSIIL Group shall not be obliged to accept any order from the VS Berhad Group for moulds and plastic moulded products and parts on terms and conditions that are less favourable to the VSIIL Group than those agreed between the VSIIL Group and its other customers that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are independent third parties of the VSIIL Group.

The prices payable by the VS Berhad Group for the moulds and plastic moulded products and parts will be agreed between the relevant members of the VSIIL Group and the VS Berhad Group by reference to, among other factors, the prevailing market prices of moulds and plastic moulded products and parts at the relevant time. The payment terms for moulds and plastic moulded products and parts will be contained in the purchase order for each order to be placed under the New Master Supply Agreement.

According to current practice:

- (a) for moulds, an upfront payment of not more than 50% of the purchase price is required while the balance is to be settled upon delivery of the completed moulds;
- (b) for plastic moulded products and parts, a credit term of 30 days after the delivery of the products is granted; and
- (c) for moulds and plastic moulded products and parts, the purchase price is settled by telegraphic transfer.

Term

From 1 August 2011 to 31 July 2014

Caps for the continuing connected transactions

The following table sets out the expected capped amounts of sales of the Products from the VSIIIL Group to the VS Berhad Group for each of the three years ending 31 July 2014:

| | Year ending 31 July | | |
|--|----------------------------|---------------|---------------|
| | 2012 | 2013 | 2014 |
| | HK\$9,800,000 | HK\$9,800,000 | HK\$9,800,000 |

The aforesaid caps are determined by reference to the following considerations:

- (a) the expected annual capped amounts for the three years ending 31 July 2014 are determined by estimated orders to be placed by the VS Berhad Group based on the production plan provided by its customers as at the date of the New Master Supply Agreement; and
- (b) it is expected that there will be an increase in the orders placed by VS Berhad with the VSIIIL Group in contemplation of new customers which may be secured by VS Berhad.

Reasons for the continuing connected transactions

VSIIIL is an investment holding company wholly owned by the Company. The VSIIIL Group is principally engaged in the production and sales of plastic moulded components and parts, assembling of electronic products and mould design and fabrication. The VS Berhad Group is principally involved in the manufacturing, assembling and sale of electronic and plastic moulded products, components and parts. The VSIIIL Group has been selling moulds designed and fabricated, and plastic moulded products and parts manufactured, by the VSIIIL Group to the VS Berhad Group since 2000. The supply of moulds and plastic moulded products and parts by the VSIIIL Group to the VS Berhad Group will continue to be conducted in the ordinary and usual course of business of the Group.

The Directors are of the view that the New Master Supply Agreement (including the capped amounts for the three years ending 31 July 2014) are fair and reasonable, and that the terms of the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

As VS Berhad is a substantial shareholder of the Company, VS Berhad is a connected person of the Company. The sales under the New Master Supply Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the proposed caps under the Continuing Connected Transactions are not expected to exceed 25% and the annual consideration receivable from the VS Berhad Group in respect of the Continuing Connected Transactions is not expected to exceed HK\$10 million, the Continuing Connected Transactions constitute continuing connected transactions exempt from the independent shareholders' approval requirements of the Company under Rule 14A.34 of the Listing Rules and such transactions and the proposed caps under the Continuing Connected Transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

| | |
|-------------------------------------|---|
| “Approved Caps” | the annual caps for the continuing connected transactions under the Master Supply Agreement for the three financial years ended 31 July 2011, as stated in the announcement of the Company dated 16 November 2007 |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Continuing Connected Transactions” | the continuing connected transactions under the New Master Supply Agreement |
| “Company” | V.S. International Group Limited 威鉞國際集團有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | collectively, the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Parties” | independent third party or parties and its/their ultimate beneficial owner(s) who is/are third party/parties independent of the Group and connected persons of the Group |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

| | |
|-------------------------------|--|
| “Master Supply Agreement” | the master sale and purchase agreement entered into between VSIIL (for itself and on behalf of the other members of the VSIIL Group) and VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) dated 16 November 2007 in relation to the purchase of Products by the VS Berhad Group from the VSIIL Group for the term commencing from 1 August 2008 and ended on 31 July 2011 |
| “New Master Supply Agreement” | the new master sale and purchase agreement dated 24 September 2011 and entered into between VSIIL (for itself and on behalf of the other members of the VSIIL Group) and VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) in relation to the purchase of the Products by the VS Berhad Group from the VSIIL Group for the term commencing from 1 August 2011 and ending 31 July 2014 |
| “PRC” | the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Products” | moulds and plastic moulded products and parts |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules |
| “VS Berhad” | V.S. Industry Berhad, a company incorporated under the laws of Malaysia whose shares are listed on the Bursa of Malaysia and a substantial shareholder of the Company |
| “VS Berhad Group” | collectively, VS Berhad and its subsidiaries and associated companies (excluding any member of the Group) from time to time |
| “VSIIL” | V.S. International Industry Limited, a company duly incorporated under the laws of British Virgin Island and having its registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and a wholly-owned subsidiary of the Company |
| “VSIIL Group” | collectively, VSIIL and its subsidiaries from time to time |

By order of the Board
V.S. International Group Limited
Beh Kim Ling
Chairman

Macau, the PRC, 24 September 2011

LIST OF DIRECTORS AS AT THE DATE OF THIS ANNOUNCEMENT

Executive Directors:

Mr. Beh Kim Ling
Mr. Gan Sem Yam
Madam Gan Chu Cheng
Mr. Zhang Pei Yu
Mr. Yeoh Ek Boon

Independent non-executive Directors:

Mr. Diong Tai Pew
Mr. Lee Soo Gee
Mr. Tang Sim Cheow

Non-executive Director:

Mr. Gan Tiong Sia