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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)

DISCLOSEABLE TRANSACTION

AND

PROPOSED CONTINUING CONNECTED TRANSACTION

DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 25 February 2008 in relation to a deposit agreement regarding a proposed investment by the Company in a joint venture company established in the PRC.

On 19 June 2008, the PRC Partner, Savoy and V.S. Resources, a wholly-owned subsidiary of the Company, entered into the Agreement pursuant to which V.S. Resources has agreed to invest an aggregate amount of RMB21,822,940 (equivalent to approximately HK\$24,441,693) to the Target, constituting approximately 51% of the enlarged equity interest of the Target.

Pursuant to the terms of the Agreement, the Investment of RMB21,822,940 (equivalent to approximately HK\$24,441,693) in cash shall be injected into the Target in the following manner: (i) within seven days from the date of approval by the relevant PRC regulatory authorities approving the changes of the Target regarding the Investment, an aggregate amount of RMB7,000,000 (equivalent to approximately HK\$7,840,000) shall be paid; and (ii) prior to 31 December 2008, the balance of the Investment of RMB14,822,940 (equivalent to approximately HK\$16,601,693) shall be paid.

As an applicable percentage ratio (within the meaning of the Listing Rules) for the Investment exceeds 5% but is less than 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Investment and other information as prescribed under the Listing Rules (including a technical report on the project of the Target) will be despatched to the Shareholders.

PROPOSED CONTINUING CONNECTED TRANSACTION

Upon Completion, the Target will become an indirectly non-wholly owned subsidiary of the Company and the PRC Partner will be holding 30% of the equity interest of the Target. Accordingly, the PRC Partner and its associate(s) will become connected persons of the Company under the Listing Rules.

The Tenancy Agreement and the transaction contemplated thereby will constitute continuing connected transaction of the Company under the Listing Rules. No rental is payable to the PRC Partner under the Tenancy Agreement, the Directors considered that the Tenancy Agreement is generally on normal commercial terms and is in the interest of the Group and the Shareholders as a whole. As no rental is payable under the Tenancy Agreement, the de minimis rule under Rule 14A.33(3) will apply and the Tenancy Agreement and the transaction contemplated thereunder will be exempted from reporting, announcement and independent shareholders' approval requirements.

DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 25 February 2008 in relation to a deposit agreement regarding a proposed investment by the Company in a joint venture company established in the PRC. The deposit of RMB10,000,000 (equivalent to approximately HK\$11,200,000) paid by the Company would be refunded upon Completion.

The Company also announces that the possible cooperation partner referred to in the announcement of the Company dated 16 October 2007 is not the PRC Partner. In respect of the possible investment mentioned in such announcement, relevant due diligence exercises and negotiations are still in progress and formal agreement has not been entered into. A deposit of RMB10,000,000 (equivalent to approximately HK\$11,200,000) had been paid by the Company. As at the date of this announcement, RMB5,000,000 (equivalent to approximately HK\$5,600,000) had been refunded to the Company.

The Agreement

Date: 19 June 2008

- Parties:
- (i) 黑龍江省第一地質勘察院 (The First Institute of Geology Exploration of Heilongjiang Province*), an entity established in the PRC which is engaged in exploration works
 - (ii) V.S. Resources Holding Limited, a wholly-owned subsidiary of the Company which is an investment holding company
 - (iii) Savoy Resources Corp. (美國 Savoy 資源有限公司*), a company incorporated in the state of Colorado in the United States of America which is engaged in precious gemstone and precious and based metal mining, exploration, production and marketing

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the PRC Partner and Savoy, and its ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Company does not have any transactions with the PRC Partner, Savoy or their ultimate beneficial owners completed within 12 months prior to the Agreement.

The Investment

The Target was established in the PRC on 30 June 2004. As at the date of this announcement, each of the total investment and the registered capital of the Target was RMB21,177,060 and was owned by the PRC Partner and Savoy as to approximately 61.40% and 38.60% respectively. The PRC Partner injected its portion of investment by way of the exploration rights based on its exploration permit which were then valued at RMB13,000,000 and Savoy injected its portion of investment by way of cash.

The Target is principally engaged in exploration of mines in the PRC at permitted and authorised locations. At present, the Target mainly carries out exploration works in gold mines.

Pursuant to the Agreement, each of the total investment and the registered capital of the Target will be increased to RMB43,000,000 (equivalent to approximately HK\$48,160,000) and V.S. Resources has agreed to invest in an aggregate amount of RMB21,822,940 (equivalent to approximately HK\$24,441,693) to the Target, constituting approximately 51% of the enlarged equity interest of the Target. Pursuant to the Agreement, other than the Investment, V.S. Resources did not have any further capital commitment in relation to the Target.

Upon Completion, the Target will be owned by each of the PRC Partner, Savoy and V.S. Resources as to approximately 30%, 19% and 51% respectively.

Consideration

Pursuant to the terms of the Agreement, the Investment of RMB21,822,940 (equivalent to approximately HK\$24,441,693) in cash shall be injected into the Target in the following manner: (i) within seven days from the date of approval by the relevant PRC regulatory authorities approving the changes of the Target regarding the Investment, an aggregate amount of RMB7,000,000 (equivalent to approximately HK\$7,840,000) shall be paid; and (ii) prior to 31 December 2008, the balance of the Investment of RMB14,822,940 (equivalent to approximately HK\$16,601,693) shall be paid.

The effective date of the Agreement shall take place on the following date, whichever is the latest:

- (i) the obtaining of the new certificate of approval of the Target;
- (ii) the obtaining of the new business licence of the Target; or
- (iii) the publication of the announcement in relation to the Investment by the Company in accordance with the Listing Rules.

In the event that the above requirements have not been fulfilled within 180 days subsequent to the signing of the Agreement or such later date as agreed among the PRC Partner, Savoy and V.S. Resources, V.S. Resources shall have the right to terminate the Agreement and the transactions contemplated thereby by notifying the PRC Partner and Savoy in writing. Upon termination of the Agreement, all other signed documents in relation to the Agreement or any transactions contemplated thereby shall cease to have any effect.

The Investment was determined by the PRC Partner, Savoy and V.S. Resources on the basis of normal commercial terms and arm's length negotiations with reference to, among: (i) the opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group; (ii) the continuous growth in the market price of gold in recent years; (iii) the further business and growth potential of the Target; and (iv) the development of a business platform, through the Target, to explore and seize possible merger and acquisition opportunities to acquire other mining businesses in the PRC. The Directors (including the independent non-executive Directors) consider that the terms of Investment (including the basis of the determination of the Investment), which are determined on an arm's length basis, are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Completion

Upon Completion, the Target will become an indirectly non-wholly-owned subsidiary of the Company and the financial results of the Target will be consolidated into the consolidated financial statements of the Company.

Other terms

Pursuant to the Agreement, the PRC Partner has agreed not to cooperate with other party for the exploration of minerals in the area(s) that the Target would be interested to explore.

The Target has also granted a right of priority to the PRC Partner to engage the PRC Partner and/or its associate(s) to provide exploration and other related services to the Target if the terms then offered by the PRC Partner and/or its associate(s) shall be equal to or better than the terms offered by the other service provider(s). The Target and the PRC Partner and/or its associate(s) will enter into separate agreement(s) before the provision of such service and depending on the amount of consideration involved in each of such transactions, may be subject to the disclosure and/or shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements for these connected transactions under the Listing Rules as and when needed.

Information on the Target and the Exploration Area

The Target

According to the audited financial statements of the Target prepared under the PRC GAAP, the net loss (both before and after taxation and extraordinary items) for the two years ended 31 December 2007 were RMB8,178,680 (equivalent to approximately HK\$9,160,122) and RMB8,172,063 (equivalent to HK\$9,152,711) respectively. The net asset value of the Target as at 31 December 2007 was RMB13,004,937 (equivalent to approximately HK\$14,565,529). The Target has not generated any revenue for the two years ended 31 December 2007.

The Exploration Area

The Target owns the exploration permit covering the Exploration Area. The Exploration Area is located at 5 km south-west of Sishanlinchang, Jidong County, Heilongjiang Province, the PRC (黑龍江省雞東縣四山林場西南5公里). The Exploration Area has an area of approximately 1.83 sq. km.. The exploration permit is valid from 26 March 2007 to 25 November 2008.

Reasons for the Investment

The Group is principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and mould design and fabrication. The Group will continue to carry on with its existing business after Completion.

It is expected that the gold market in the PRC will be prosperous and the demand for gold is expected to increase in the PRC. The PRC government also strongly encourages gold mining enterprises to use advanced technologies in the mining and production of gold by granting them preferential treatments on taxation. These developments have significantly improved the business environment of the gold mining industry in the PRC.

In light of the above, the Directors are of the view that the Investment represents a good opportunity to invest in the natural resources sector, and enables the Group to diversify into the gold mining business in the PRC. Upon Completion, the Target will continue to carry out the exploration work in the Exploration Area. It will also apply for the relevant mining operation permit in accordance with the applicable PRC laws and regulations. As advised by the Company's PRC legal adviser, the possession of the exploration permit for the Exploration Area entitles the Target to have a priority right to apply for a mining operation permit, provided that the mineral resources are not those foreign investors are prohibited from mining. A mining operation permit will allow the Target to exploit the minerals available in the Exploration Area subject to the relevant PRC laws and regulations. Upon completion of the exploration, it is planned that exploitation and processing of minerals will be conducted by the Target subject to the relevant PRC laws and regulations. The Investment is anticipated to be beneficial to the Company and enable the Company to generate income and cash flow from investment and trading activities in the natural resources sector.

For the reasons given above, the Directors believe that the Investment would enhance the future growth and profitability of the Group. Taking into account the benefits of the Investment, the Board is of the view that the terms of the Investment are fair and reasonable and the Investment is in the interests of the Company and the Shareholders as a whole.

Implication under the Listing Rules

As an applicable percentage ratio (within the meaning of the Listing Rules) for the Investment exceeds 5% but is less than 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Investment and other information as prescribed under the Listing Rules (including a technical report on the project of the Target) will be despatched to the Shareholders.

PROPOSED CONTINUING CONNECTED TRANSACTION

Upon Completion, the Target will become an indirectly non-wholly owned subsidiary of the Company and the PRC Partner will be holding 30% of the equity interest of the Target. Accordingly, the PRC Partner and its associate(s) will become connected persons of the Company under the Listing Rules. The Tenancy Agreement and the transaction contemplated thereby will constitute continuing connected transaction of the Company under the Listing Rules.

Particulars of the Tenancy Agreement were as follows:

Premises:	黑龍江省牡丹江市愛民區向陽街25號(No. 25, Xiangyang Street, Aimin District, Mudanjiang City, Heilongjiang Province, the PRC)
Term of the tenancy:	three years commencing from 1 June 2008 to 30 May 2011
Rental:	the Target is not required to pay rent for the renting of the Premises, however, the Target will have to pay the PRC Partner for other charges and outgoings such as water, electricity and gas charges

No rental is payable to the PRC Partner under the Tenancy Agreement, the Directors considered that the Tenancy Agreement is generally on normal commercial terms and is in the interest of the Group and the Shareholders as a whole. As no rental is payable under the Tenancy Agreement, the de minimis rule under Rule 14A.33(3) will apply and the Tenancy Agreement and the transaction contemplated thereunder will be exempted from reporting, announcement and independent shareholders' approval requirement.

DEFINITIONS

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

“Agreement”	the agreement dated 19 June 2008 and entered into between the PRC Partner, Savoy and V.S. Resources in respect of the Investment
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	V.S. International Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Investment in accordance with the terms and conditions of the Agreement
“connected persons”	has the meaning ascribed thereto in the Listing Rules

“Directors”	directors of the Company
“Exploration Area”	an area of approximately 1.83 sq. km. of the mining site located at 5 km south-west of Sishanlinchang, Jidong County, Heilongjiang Province, the PRC
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment”	the investment V.S. Resources has agreed to make in an aggregate amount of RMB21,822,940 (equivalent to approximately HK\$24,441,693) to the Target, constituting approximately 51% of the enlarged equity interest of the Target pursuant to the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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”	PRC Generally Accepted Accounting Principles
“PRC Partner”	黑龍江省第一地質勘察院 (The First Institute of Geology Exploration of Heilongjiang Province*), an entity established in the PRC
“Premises”	the premises being 黑龍江省牡丹江市愛民區向陽街25號 (No. 25, Xiangyang Street, Aimin District, Mudanjiang City, Heilongjiang Province, the PRC) which was rented by the PRC Partner to the Target pursuant to the Tenancy Agreement
“Savoy”	Savoy Resources Corp. (美國 Savoy 資源有限公司*), a company incorporated in state of Colorado in the United States of America
“Share(s)”	existing ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	黑龍江雍昌礦業有限公司 (Heilongjiang Savoy Minerals Co., Ltd.*), a company established in the PRC, and as at the date of this announcement, owned by the PRC Partner and Savoy as to approximately 61.40% and 38.60% respectively

“Tenancy Agreement”	the tenancy agreement dated 31 May 2008 and entered into between the PRC Partner as landlord and the Target as tenant for the renting of the Premises
“V.S. Resources”	V.S. Resources Holding Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. km.”	square kilometres
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversions of currency has been calculated using the following exchange rate:

RMB1.00 = HK\$1.12

Such exchange rate has been used for the purposes of illustration only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.

* the translation of the name is for information purpose only, and should not be regarded as the official translation of such name.

List of all 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

Independent non-executive Directors:

Mr. Diong Tai Pew
Mr. Cheung Kwan Hung, Anthony
Mr. Tang Sim Cheow

Non-executive Director:

Mr. Gan Tiong Sia

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

Hong Kong, 20 June 2008