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## IMPORTANT

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in V.S. International Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

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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

**Independent financial adviser  
to the Independent Board Committee and Independent Shareholders**

**COMMERZBANK** 

**Commerzbank AG Hong Kong Branch**

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A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 23 of this circular.

Notice of the EGM to be held at Star City Hotel, No. 88, Jingshan Road, Jida, Zhuhai, Guangdong Province, the PRC on Friday, 14 December 2007 at 12:00 noon is set out on pages 32 to 33 of this circular. If you are unable to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish.

28 November 2007

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“2008 Approved Cap”	HK\$6.0 million
“2008 Supply Transactions”	the continuing connected transactions of the supply of the Products in accordance with the Master Supply Agreement for the year ending 31 July 2008
“Approved Caps”	the annual caps for the continuing connected transactions under the Master Supply Agreement for the three financial years ending 31 July 2008, as stated in the announcement of the Company dated 29 December 2005
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“EGM”	the extraordinary general meeting of the Company convened to be held at Star City Hotel, No. 88, Jingshan Road, Jida, Zhuhai, Guangdong Province, the PRC on Friday, 14 December 2007 at 12:00 noon for the purpose of considering, and if thought fit, approval by the Independent Shareholders of the Revised Cap and the continuing connected transactions contemplated under the New Master Supply Agreement
“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

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## DEFINITIONS

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“Independent Board Committee”	a board of committee, comprising the independent non-executive Directors who are not interested in the transactions contemplated under the Master Supply Agreement and the New Master Supply Agreement, established to advise the Independent Shareholders in respect of the Revised Cap for the 2008 Supply Transactions and the continuing connected transactions under the New Master Supply Agreement
“Independent Financial Adviser” or “Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorized financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Cap and the New Master Supply Agreement
“Independent Shareholders”	any Shareholder of the Company that is not required to abstain from voting at a general meeting, if necessary, to approve a connected transaction
“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
“Latest Practicable Date”	23 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 VS Berhad Group) dated 28 December 2005 in relation to the purchase of Products by VS Berhad Group from VSIIL Group for the term commencing from 28 December 2005 and ending 31 July 2008

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## DEFINITIONS

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“New Master Supply Agreement”	the new master sale and purchase agreement dated 16 November 2007 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 VS Berhad Group) in relation to the purchase of Products by the VS Berhad Group from VSIIL Group for the term commencing from 1 August 2008 and ending 31 July 2011
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	moulds and plastic moulded products and parts manufactured and/or supplied by the Group
“Revised Cap”	The monetary amount of HK\$62.1 million, being the revised cap for the year ending 31 July 2008, in respect of the 2008 Supply Transactions
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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
“%”	per cent.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Beh Kim Ling (*Chairman*)

Mr. Gan Sem Yam

Madam Gan Chu Cheng

Mr. Zhang Pei Yu

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Non-executive Director:*

Mr. Gan Tiong Sia

*Head office and principal place*

*of business in Hong Kong:*

4106, 41st Floor

Office Tower, Convention Plaza

1 Harbour Road

Wanchai, Hong Kong

*Independent non-executive Directors:*

Mr. Diong Tai Pew

Mr. Cheung Kwan Hung, Anthony

Mr. Tang Sim Cheow

28 November 2007

*To the Shareholders*

Dear Sir or Madam,

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

**1. INTRODUCTION**

By the announcement of the Company dated 16 November 2007, it was announced, among others, (1) matters relating to the Revised Cap; and (2) that the New Master Supply Agreement was entered into between VSIIL and VS Berhad on 16 November 2007.

The purpose of this circular is to provide you with information in relation to the Revised Cap and the transaction contemplated under the New Master Supply Agreement, the advice of the Independent Board Committee and the letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM THE BOARD

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### 2. THE REVISED CAP

#### *Background*

Reference is made to the announcement of the Company dated 29 December 2005. 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 under the Master Supply Agreement and the Approved Caps had been approved by the Board.

The approved caps under the Master Supply Agreement for the two years ended 31 July 2007 are HK\$7,000,000 and HK\$6,500,000 respectively. For the two years ended 31 July 2007 and the three months ended 31 October 2007, the sales of Products by the VSIIL Group to the VS Berhad Group amounted to approximately HK\$2,914,087, HK\$599,963 and HK\$2,282,846 respectively. As at the Latest Practicable Date, the 2008 Approved Cap has not been exceeded. It is expected that by the time the EGM is convened, the 2008 Approved Cap will not be exceeded since it is the intention of both VSIIL and VS Berhad to keep the amount of orders from VS Berhad within the limit of the 2008 Approved Cap until the Revised Cap is approved by the Independent Shareholders at the EGM.

#### *Principal terms of the Master Supply Agreement*

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 28 December 2005, 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 28 December 2005 to 31 July 2008 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 VSIIL and VS Berhad and are fair and reasonable so far as the Group and the Shareholders are concerned.

#### *Proposal to revise the annual cap for the year ended 31 July 2008*

Taken into account the sales by the VSIIL Group of the Products to VS Berhad Group during the first three months ended 31 October 2007 and the recent estimation of the demands for the Products by VS Berhad Group, the Directors note that the demands of the Products by VS Berhad Group have been growing in a fast pace and the aggregate values of the 2008 Supply Transactions are expected to exceed the 2008

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## LETTER FROM THE BOARD

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Approved Cap. In such regard, the Company proposes to revise the annual cap for the 2008 Supply Transactions to cater for the recent increasing demand of the Products by VS Berhad Group for the year ending 31 July 2008.

### *Proposed new annual cap*

The 2008 Approved Cap and the Revised Cap for the 2008 Supply Transactions are set out below:

	<b>Year ending 31 July 2008</b>
	<i>HK\$</i>
2008 Approved Cap	6.0 million
Revised Cap	62.1 million

The Revised Cap was determined by the Company with reference to the following factors.

1. existing purchase orders on hand from the VS Berhad Group; and
2. the most up-to-date estimation for the demand of Products prepared by VS Berhad Group for the nine months ending 31 July 2008.

Previously, a major customer (who to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party) used to place orders for moulds and plastic moulded products and parts with VSIIL and other plastic products with VS Berhad. For such orders received by VS Berhad, VS Berhad would in turn place orders with VSIIL for moulds and plastic moulded products and parts, thereby constituting continuing connected transactions under the Master Supply Agreement. The orders placed by the major customer with VSIIL Group direct did not constitute any connected transaction.

Commencing August 2007, the major customer started to place orders direct for certain moulds model through VS Berhad only. As a result, the amount of orders given by VS Berhad to VSIIL in response to the orders from the major customer has significantly increased. Accordingly, the Directors consider that the 2008 Approved Cap should be revised to reflect such significant increase.

The Revised Cap represents the aggregate capped amounts of the expected sales of (1) moulds and (2) plastic moulded products and parts by VSIIL to VS Berhad under the Master Supply Agreement. If the aggregate annual value of the 2008 Supply Transactions exceeds the Revised Cap, the Company will take further steps to ensure compliance with all relevant requirements of Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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### 3. THE NEW MASTER SUPPLY AGREEMENT

The Master Supply Agreement has a term expiring on 31 July 2008 unless terminated earlier by three months' written notice by either party, and remains in full force and effect as at the date of this circular.

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 will continue after the expiry on 31 July 2008. Accordingly, on 16 November 2007, VSIIL (for itself and on behalf of the 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 VS Berhad Group) to ensure continual supply of Products by VSIIL Group to VS Berhad Group after the expiry of the term of the Master Supply Agreement.

As at the Latest Practicable Date, other than the continuing connected transactions contemplated under the New Master Supply Agreement and the continuing connected transactions under the Master Supply Agreement, there is no other transaction between the Group and VS Berhad Group or its ultimate beneficial owner which is required to be aggregated with the said continuing connected transactions under Rule 14A.25 of the Listing Rules.

#### *Principal terms of New Master Supply Agreement*

Pursuant to the New Master Supply Agreement, the VSIIL Group has agreed to sell, and VS Berhad Group has agreed to purchase, moulds designed and fabricated by the VSIIL Group and certain plastic moulded products and parts manufactured 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 VS Berhad Group with the VSIIL Group.

The VSIIL Group and 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 the prices payable by VS Berhad Group for the moulds and plastic moulded products and parts will be agreed between the parties by reference to the prevailing market prices of moulds and plastic moulded products and parts at the relevant time; and
- (b) the VSIIL Group shall not be obliged to accept any order from VS Berhad Group for moulds and plastic moulded products and parts on terms and conditions that are less favourable to VSIIL Group than those agreed between 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.

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## LETTER FROM THE BOARD

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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 2008 to 31 July 2011

### ***Caps for the Continuing Connected Transactions***

The following table sets out the expected capped amounts of sales of Products from VSIL Group to VS Berhad Group for each of the three years ending 31 July 2011:

	<b>Year ending 31 July</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	HK\$91,806,000	HK\$110,323,000	HK\$132,700,000

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

- (a) The expected annual capped amount for the year ending 31 July 2011 is determined by estimated orders to be placed by 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 VSIL in contemplation of new customers which may be secured by VS Berhad.

### ***Reasons for the continuing connected transactions***

VSIL is an investment holding company wholly owned by the Company. The VSIL 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 VSIL Group has been selling moulds designed and fabricated, and plastic moulded products and parts manufactured, by VSIL

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## LETTER FROM THE BOARD

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Group to VS Berhad Group since 2000. The supply of moulds and plastic moulded products and parts by VSIL Group to VS Berhad Group will continue to be conducted in the ordinary and usual course of business of the Group.

The Directors (including the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee section contained in this circular) are of the view that the Revised Cap under the Master Supply Agreement and the New Master Supply Agreement (including the capped amount for the three years ending 31 July 2011) are fair and reasonable, and that the terms of the continuing connected transactions under the New Master Supply Agreement 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.

#### 4. REQUIREMENTS 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 Master Supply Agreement and the New Master Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Revised Cap for the 2008 Supply Transactions and the proposed annual caps under the New Master Supply Agreement are expected to exceed 2.5% and the annual consideration receivable from VS Berhad Group in respect of the continuing connected transactions is expected to exceed HK\$10 million, the 2008 Supply Transactions with the Revised Cap and the continuing connected transactions under the New Master Supply Agreement constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and such transactions, the Revised Cap and the proposed annual caps under the New Master Supply Agreement are subject to the disclosure, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the foregoing, the Company will convene the EGM to seek the approval of the Independent Shareholders on the Revised Cap in respect of the 2008 Supply Transactions and the continuing connected transactions under the New Master Supply Agreement. VS Berhad and its associates are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the Revised Cap in respect of the 2008 Supply Transactions and the continuing connected transactions under the New Master Supply Agreement.

The Company will establish the Independent Board Committee to advise the Independent Shareholders as to whether the Revised Cap in respect of the 2008 Supply Transactions and the continuing connected transactions under the New Master Supply Agreement are fair and reasonable, whether the continuing connected transactions under the Master Supply Agreement and the New Master Supply Agreement 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 of the Company as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. Commerzbank has been appointed as the Independent

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## LETTER FROM THE BOARD

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Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Revised Cap in respect of the 2008 Supply Transactions and the continuing connected transactions under the New Master Supply Agreement are fair and reasonable, whether the 2008 Supply Transactions and the continuing connected transactions under the New Master Supply Agreement 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 of the Company as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

### 5. EGM

The Company will convene the EGM at Star City Hotel, No. 88, Jingshan Road, Jida, Zhuhai, Guangdong Province, the PRC on Friday, 14 December 2007 at 12:00 noon to consider and, if thought fit, approve the Revised Cap and the continuing connected transactions as contemplated under the New Master Supply Agreement. A notice of the EGM is set out on pages 32 to 33 of this circular.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event, no later than 48 hours before the time for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### 6. POLL PROCEDURE

Pursuant to article 72 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of poll is required by the Listing Rules or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any shareholder or shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (iv) by any shareholder or shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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## LETTER FROM THE BOARD

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Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the Revised Cap and the continuing connected transactions as contemplated under the New Master Supply Agreement will be taken by poll, the results of which will be announced after the EGM.

### 7. RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Revised Cap and the terms of the New Master Supply Agreement and whether such continuing connected transactions are in the interests of the Company and its shareholders as a whole. Your attention is drawn to the advice of the Independent Board Committee on, among others, whether the Revised Cap and the New Master Supply Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group as set out in its letter set out on pages 12 to 13 of this circular. Your attention is also drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Cap and the continuing connected transactions as contemplated under the New Master Supply Agreement set out on page 14 to page 23 of this circular.

The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, considers that the Revised Cap and the New Master Supply Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group. The Independent Board Committee also considers that the Revised Cap and the terms of the continuing connected transactions as contemplated under the New Master Supply Agreement are fair and reasonable and such connected transaction is in the interests of the Company and its shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the Revised Cap and the continuing connected transactions as contemplated under the New Master Supply Agreement at the EGM.

### 8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**V.S. International Group Limited**  
**Beh Kim Ling**  
*Chairman*



**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)**

28 November 2007

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular issued by the Company to its shareholders and dated 28 November 2007 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the 2008 Supply Transactions with the Revised Cap and the continuing connected transactions under the New Master Supply Agreement constitute non-exempt continuing connected transactions for the Company and are subject to the approval of the Independent Shareholders. We have been appointed by the Board to consider the 2008 Supply Transactions with the Revised Cap and the terms of the New Master Supply Agreement and to advise the Independent Shareholders in connection with the Revised Cap and the transactions contemplated under the New Master Supply Agreement as to whether, in our opinion, their terms are fair and reasonable and whether such continuing connected transactions are in the interests of the Company and its shareholders as a whole. Commerzbank has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the 2008 Supply Transactions with the Revised Cap and the New Master Supply Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group. We also consider that the terms of the continuing connected transactions as contemplated under the New Master Supply Agreement (together with the expected annual capped amounts for the three years ending 31 July 2011) are fair and reasonable and such continuing connected transactions are in the interests of the Company and its shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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ordinary resolution to approve the 2008 Supply Transactions with the Revised Cap, and also the continuing connected transactions as contemplated under the New Master Supply Agreement at the EGM.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Diong Tai Pew Cheung Kwan Hung, Anthony Tang Sim Cheow**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**COMMERZBANK** 

**Hong Kong Branch**  
21/F, Hong Kong Club Building  
3A Chater Road, Central  
Hong Kong

28 November 2007

The Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Revised Cap and the transactions contemplated under the New Master Supply Agreement, details of which are set out in the letter from the Board as contained in this circular dated 28 November 2007 (the “Circular”) of which this letter forms part. Unless otherwise defined herein, capitalised terms used in this letter shall have the same meaning as those defined in this Circular.

On 28 December 2005, 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) entered into the Master Supply Agreement. Under the Master Supply Agreement, VSIIL Group agreed to sell, and VS Berhad Group has agreed to purchase moulds designed and fabricated by the VSIIL Group and certain plastic moulded products and parts manufactured by the VSIIL Group during the period commencing from 28 December 2005 to 31 July 2008. By virtue of VS Berhad is a substantial shareholder of the Company (the “Shareholder”), the sale of the Products (namely moulds designed and fabricated by the VSIIL Group and certain plastic moulded products and parts manufactured by the VSIIL Group) by VSIIL, being the wholly-owned subsidiary of the Company, to the VS Berhad Group under the Master Supply Agreement, constituted continuing connected transactions of the Group under Chapter 14A of the Listing Rules. Furthermore, as detailed in the Company’s announcement dated 29 December 2005, it was announced that the Board have approved the annual caps in respect of the transaction contemplated under the Master Supply Agreement for each of the years ended 31 July 2006, 2007 and the year ending 31 July 2008, which amounted to HK\$7,000,000, HK\$6,500,000 and HK\$6,000,000 (the “Approved Caps”) respectively. The transactions under the Master Supply Agreement (together with the Approved Caps) were subject to the reporting and announcement requirements only under Rule 14A.34 of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having taken into account the sales of the Products by the VSIL Group to the VS Berhad Group during the three months ended 31 October 2007 and the recent estimation of the demands for the Products by the VS Berhad Group, the Directors note that the demand of the Products by the VS Berhad Group have been growing in a fast pace and the aggregate values of the continuing connected transactions in respect of the 2008 Supply Transactions are expected to exceed the 2008 Approved Cap. As such, the Company proposes to revise the 2008 Approved Cap to cater for the recent increasing demand of the Products by the VS Berhad Group for the year ending 31 July 2008. In addition, based on the Company's recent projection on the purchase of the Products by the VS Berhad Group under the existing Master Supply Agreement, it is expected that such purchase of Products from VS Berhad Group will continue after the expiry of the Master Supply Agreement on 31 July 2008. Accordingly, on 16 November 2007, VSIL (for itself and on behalf of the member of the VSIL 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 VSIL Group to the VS Berhad Group after the expiry of the Master Supply Agreement on 31 July 2008.

As mentioned above, VS Berhad is a substantial Shareholder and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Revised Cap and the proposed caps under the New Master Supply Agreement are expected to exceed 2.5% and the estimated annual consideration receivable from the VS Berhad Group in respect of the 2008 Supply Transactions and the continuing connected transactions (the "Continuing Connected Transactions") under the New Master Supply Agreement (for the three years ending 31 July 2011) are expected to exceed HK\$10 million, the Revised Cap and the Continuing Connected Transactions will constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently comprises 8 Directors, with Mr. Beh Kim Ling, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Zhang Pei Yu as the executive Directors; Mr. Gan Tiong Sia as the non-executive Director; Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow as the independent non-executive Directors. Pursuant to Rule 13.39(6) of the Listing Rules, the Independent Board Committee comprising all of the independent non-executive Directors has been formed for the purpose of making recommendation to the Independent Shareholders as to (i) whether the terms of the New Master Supply Agreement, including, among other things, the Revised Cap and the proposed cap (the "New Caps") for the Continuing Connected Transactions are fair and reasonable; and (ii) whether the Revised Caps and the entering into of the New Master Supply Agreement and the Continuing Connected Transactions contemplated thereunder, including the New Caps are in the interests of the Company and the Shareholders as a whole. We, Commerzbank, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regards.

In formulating our advice, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinion and representations contained or referred to in this Circular are true, complete and accurate and we have relied on the same. We have also relied on the representations of the Company that having made

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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all due enquiries and careful considerations, and to the best of its knowledge and belief, there are no other facts or representations, the omission of which would make any statement contained in this Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in this Circular, which have been provided to us by the Company, and for which they are wholly responsible, are true, complete and accurate as at the date of the despatch of this Circular.

We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Master Supply Agreement and the New Master Supply Agreement and the terms and the transactions contemplated thereunder and to provide us with a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances which would render the information and representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders in relation to the Revised Cap, the Continuing Connected Transactions contemplated under the New Master Supply Agreement and the New Caps, we have taken into account the following principal factors and reasons:

### 1. Background of the VSIL Group and VS Berhad Group

The Group is principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication. Among the Group's three principal business segments, the manufacturing and sales of plastic moulded products has been the primary income source of the Group and accounted for over 75% of the Group's audited consolidated revenue and segment results for each of the three financial years ended 31 July 2007. We set out below the segmental results of the Group for the three years ended 31 July 2005, 2006 and 2007:

		For the year ended 31 July					
		2005		2006		2007	
		HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue							
- Plastic injection and moulding	<i>(Note 1)</i>	1,005,676	81.97	1,114,554	79.48	1,131,878	75.70
- Assembling of electronic products	<i>(Note 2)</i>	161,069	13.13	177,191	12.64	225,506	15.08
- Mould design and fabrication	<i>(Note 3)</i>	60,164	4.90	110,515	7.88	137,907	9.22
Total		<u>1,226,909</u>	<u>100.00</u>	<u>1,402,260</u>	<u>100.00</u>	<u>1,495,291</u>	<u>100.00</u>
<b>Segment results (profit)</b>							
- Plastic injection and moulding		119,819	80.67	129,298	79.59	130,433	75.88
- Assembling of electronic products		12,830	8.64	1,571	0.97	2,300	1.34
- Mould design and fabrication		15,880	10.69	31,588	19.44	39,155	22.78
Total		<u>148,529</u>	<u>100.00</u>	<u>162,457</u>	<u>100.00</u>	<u>171,888</u>	<u>100.00</u>

*Source:* the annual reports of the Company for the financial years ended 31 July 2006 and 2007

*Note 1:* represents income from manufacture and sales of plastic moulded products and parts

*Note 2:* represents income from assembling and sales of electronic products, including processing fees generated from assembling of electronic products

*Note 3:* represents income from manufacture and sales of plastic injection moulds

As disclosed in this Circular, VS Berhad is a limited liability company incorporated in Malaysia with its shares listed on the Bursa Malaysia. The principal business activities of the VS Berhad Group comprise the manufacturing, assembling and sale of electronic and plastic moulded products, components and parts. Furthermore, the VSIL Group has been selling moulds designed and fabricated, and plastic moulded products and parts manufactured by the VSIL Group to the VS Berhad Group since 2000. Set out below is the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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transaction history between the VSIL Group and VS Berhad Group as extracted from this Circular, the Company's annual report for the year ended 31 July 2007 and the announcement dated 29 December 2005:

	For the year ended 31 July					For the year ending 31 July
	2003	2004	2005	2006	2007	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual caps	–	–	–	7,000	6,500	6,000
Utilization (%)	–	–	–	41.63%	9.23%	38.05%

### 2. Reasons for the Revised Cap

As disclosed in the section headed "Letter from the Board" of this Circular, a major customer (the "Major Customer") of the Group (who to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party), used to place orders for (i) moulds and plastic moulded products and parts with VSIL Group and (ii) other plastic products with VS Berhad. For such purchase orders received from the Major Customer by VS Berhad, VS Berhad would in turn place orders with VSIL for the supply of moulds and plastic moulded products and parts as for the supply of such Products demanded by the Major Customer. However, commencing from August 2007, the Major Customer started to place orders directly for purchase of the Products from VS Berhad only. In this regard, we have discussed with the management of the Company in relation to the underlying reasons for such change in the purchase methods from the Major Customer and understood that such change was primarily due to the Major Customer's intention to deal with one single vendor (the VS Berhad Group) instead of two vendors (the VS Berhad Group and the VSIL Group), so as to simplify and increase the efficiency of its purchasing process, particularly, given that the VSIL Group is also a group member of VS Berhad Group. The management of the Group also represented that the Major Customer expected that such change in the purchase method of the Major Customer lead to a reduction in the administration cost involved in its purchasing process, such as the time required to process the purchase orders, the relevant documentation involved and other relevant administrative cost incurred (such as postage, telephone and fax). Save for the above reasons, we were acknowledged by the Company's management that the Company was not aware of any other reasons for such change in purchase method from the Major Customer. The management of the Company have also confirmed that they have not received any formal written notice from the Major Customer in relation to such change in purchase method. Based on the summary of the Group's sales orders received from August 2007 up to the Latest Practicable Date, we noted that except for the minor number of purchase orders issued by the Major Customer during the transition period in August 2007, the Group have not received any further purchase orders from the Major Customer since such change in its purchase method.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the financial information provided by the Company, it is noted that the Group's sales to the three Major Customer amounted to HK\$5,700,000, HK\$22,300,000 and HK\$45,800,000 for the three years ended 31 July 2005, 2006 and 2007 respectively, representing approximately 0.5%, 1.6% and 3.1% of the Group's audited consolidated turnover for the respective years. In view of the change in the purchasing arrangement from the Major Customer as mentioned above, sales to the Major Customer will now become the purchase orders from VS Berhad Group hence constitute continuing connected transactions between VSIIL and VS Berhad.

As detailed in the Circular, the Revised Cap for the 2008 Supply Transaction was determined by the Company with reference to:

- (i) the VSIIL Group's existing purchase orders on hand received from the VS Berhad Group; and
- (ii) the most up-to-date estimation for the demand of the Products prepared by the VS Berhad Group for the remaining nine months ending 31 July 2008.

We have reviewed (i) the VSIIL Group's purchase orders received from the VS Berhad Group since August 2007 up to the Latest Practicable Date and noted that such purchase orders amounted to approximately HK\$10,330,000 representing approximately 16.6% of the Revised Caps; and (ii) the VSIIL Group's sale projection of the Product to VS Berhad Group for the period from November 2007 to July 2008, we consider that the Revised Cap in respect of the 2008 Supply Transactions of HK\$62,100,000 for the year ending 31 July 2008, is fair and reasonable.

### **3. Principal Terms of the New Master Supply Agreement**

The Group has projected that the continuing connected transactions for the purchase of the Products by the VS Berhad Group will continue after the expiry of the Master Supply Agreement on 31 July 2008. On 16 November 2007, 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) entered into the New Master Supply Agreement to extend the supply of the Products from the VSIIL Group to VS Berhad Group for another three years commencing from 1 August 2008. Pursuant to the New Master Supply Agreement, VSIIL Group has agreed to sell, and the VS Berhad Group has agreed to purchase the Products from the VSIIL Group (particularly, the moulds designed and fabricated by the VSIIL Group and certain plastic moulded products and parts manufactured by the VSIIL Group) for a term of three years commencing from 1 August 2008 to 31 July 2011 unless terminated earlier according to the terms contemplated thereunder. However, the actual amount, specification and price of the Products supplied under the New Master Supply Agreement were subject to individual orders placed by the VS Berhad Group with the VSIIL Group. The Directors have also confirmed the entering into of the New Master Supply Agreement is in the ordinary course of the business of the Group. Having considered the Group's principal business which mainly comprises production and sales of plastic moulded components and parts as well as mould design and fabrication, and we concur with the Directors' view and are of the opinion that the entering into of the New Master Supply Agreement is in the ordinary course of business of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, under the New Master Supply Agreement it is acknowledged between the VSIL Group and VS Berhad Group that:

- (i) The supply of moulds and plastic moulded products and parts under the New Master Supply Agreement will be on normal commercial terms and the prices payable by the VS Berhad Group for the moulds and plastic moulded products and parts will be agreed between the parties by reference to the prevailing market prices of moulded products and parts at the relevant time; and
- (ii) The VSIL Group shall not be obliged to accept any orders from the VS Berhad Group for moulds and plastic moulded products and parts on terms and conditions that are less favourable to the VSIL Group than those agreed between the VSIL Group and its other customers which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are Independent Third Party (the "Third Party Customers").

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 and according to the current practice of the Company, payment terms for the sale of Products are as follows:

- (i) 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;
- (ii) for plastic moulded product and parts, a credit term of 30 days after the delivery of the products is granted; and
- (iii) for moulds and plastic moulded products and parts, the purchase price is settled by telegraphic transfer.

We have reviewed the sales orders from both VS Berhad Group and a Third Party Customer and noted that the terms offered by the Group to VS Berhad Group are no more favourable than those offered to the Third Party Customer. All of these, together with the understanding between the VSIL Group and the VS Berhad Group in relation to the flexibility granted to the Group and to reject any orders from the VS Berhad Group for moulds and plastic moulded products and parts on terms and conditions that are less favourable to the VSIL Group than those agreed between the VSIL Group and its Third Party Customer and the Group will sell the Products to the VS Berhad at price by reference to the prevailing market prices of the Products as stated in the New Master Supply Agreement, we are of the view that the terms of the New Master Supply Agreement and the transactions contemplated thereunder are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Caps for transactions under the New Master Supply Agreement

As stated in the section headed “Letter from the Board” of this Circular, the proposed New Caps for the three years ending 31 July 2011 are set out as follows:

	<u>For the year ending 31 July</u>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
New Caps	91,806	110,323	132,700
<i>% increase</i>	<i>47.8%</i>	<i>20.2%</i>	<i>20.3%</i>

As detailed in the Circular, the New Caps are determined based on:

- (i) the estimated purchase orders to be placed by the VS Berhad Group based on the production plan provided by the VS Berhad’s customers as at the date of the New Master Supply Agreement; and
- (ii) the potential increase in the orders placed by the VS Berhad Group with VSIIL Group in contemplation of new customers which may be secured by the VS Berhad Group.

Having considered (i) the continuous increase in the VSIIL Group’s sales volume and the gradual increase in the amount of Products (both in monetary amount and as a percentage of the Group’s audited consolidated revenue) sold to the Major Customer for the three years ended 31 July 2007; (ii) our review on the sales projection of VSIIL Group to VS Berhad Group for the three years ending 31 July 2011, we consider that it is reasonable for the Company to adopt the above mentioned basis and assumption for determining the amount of the New Caps are of the view that the New Caps are fair and reasonable.

### 5. Compliance with the Listing Rules

Pursuant to Rule 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to certain annual review requirements, including the review by the independent non-executive Directors and the Company’s auditors, including:

- (i) the New Caps under the New Master Supply Agreement for the three years ending 31 July 2011 will not exceed HK\$91,806,000, HK\$110,323,000 and HK\$132,700,000 million.
- (ii) the Continuing Connected Transactions will be in compliance with the following:
  - (a) the supply of the Products under the New Master Supply Agreement will be entered into in the usual and ordinary course of business of the Group;
  - (b) the prices for the supply of the Products from the Group under the New Master Supply Agreement will be set in accordance with the New Master Supply Agreement; and



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- (c) the Continuing Connected Transactions will be entered into in accordance with the terms of the New Master Supply Agreement;
- (iii) brief details of the Continuing Connected Transactions will be disclosed in the Company's next and each successive annual report, each accompanied with a statement of opinion of the independent non-executive Directors in such manner as referred to (iv) below;
- (iv) the independent non-executive Directors will review annually the Continuing Connected Transactions and confirm in the Company's annual report for the year in questions that such Continuing Connected Transactions under their review are and have conducted in the manner as stated in paragraphs (a) to (c) above;
- (v) the Company's auditor will, in accordance with Rule 14A.38 of the Listing Rules, review annually the Continuing Connected Transactions and they will confirm the same in a letter to the Directors;
- (vi) the Company will allow and will procure that the auditors of the Company with sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of the Company's auditors review as referred to paragraph (v) above. The Board will state in the annual report whether its auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and
- (vii) the Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the supply of the Products from the Group under the New Master Supply Agreement exceeds under the New Caps, or there is any material amendment to the terms of the New Master Supply Agreement.

Based on our review on the annual report of the Company for the three years ended 31 July 2005, 2006 and 2007, we noted that the auditors of the Company have confirmed that continuing connected transactions under the Master Supply Agreement were (i) in accordance with the pricing policies of the Group; (ii) entered into in accordance with the terms of the Master Supply Agreement; and (iii) the aggregate consideration received in respect of the aforesaid continuing connected transactions had not exceeded the caps approved for the two years ended 31 July 2007.

### CONCLUSION AND ANALYSIS

Having considered the relationship between the VSIIL Group and the VS Berhad Group, together with the history for the sale of the Products from the VSIIL Group to VS Berhad Group, we are broadly of the view that the New Master Supply Agreement is an extension of the Master Supply Agreement which will expire on 31 July 2008. Furthermore, as a result of the change in purchase method in August 2007, it is anticipated that there will be a substantial increase in the amount of transactions between the VSIIL Group and VS Berhad. In the event that the Independent Shareholders disapprove the New Master Supply Agreement and the New Caps, it will essentially lead to the VSIIL Group not being able to receive purchase orders, (indirectly) from the Major Customer and resulted in an adverse



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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impact on the Company's future income and profitability. Given that the Revised Cap and the New Caps are determined after taking into account of, among others, the future production plan of the Major Customer and the potential business expansion of the VS Berhad, together with the fact that there is a common understanding between the VSIIL Group and VS Berhad that the pricing of the Products sold to VS Berhad should be with reference to the prevailing market price and that the VSIIL Group is not obliged to accept any purchase orders from the VS Berhad Group which are less favourable to the Group than purchase orders received from Third Party Customers, as such, we are of the view that the VSIIL Group will continue to supply the Products to VS Berhad Group at terms no more favourable than those offered to Third Party Customers under the New Master Supply Agreement and consider that the New Master Supply Agreement is entered into in the ordinary and usual course of business of the Company, and the terms of the New Master Supply Agreement, the Revised Cap and the New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Based on the above principal factors and reasons, we consider the Revised Cap and the terms of the New Master Supply Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, and both the Revised Cap and the transactions contemplated under the New Master Supply Agreement (including the New Caps) are fair and reasonable in so far as the Independent Shareholders are concerned, and the Revised Cap, the New Caps and the entering into of the New Master Supply Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions with respect to the Revised Cap, the New Master Supply Agreement and the New Caps at the EGM.

Yours faithfully,  
For and on behalf of  
**Commerzbank AG Hong Kong Branch**

**Kenneth Chan**  
Head of Corporate Finance – Asia Pacific

**Gaston Lam**  
Corporate Finance – Asia Pacific

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under section 344 of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director (Note 1)	The Company/ name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	47,800,775 Shares (L) (Notes 3 and 7)	5.51%
	V.S. Corporation (Hong Kong) Co., Limited ("VSHK")	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–

**APPENDIX**
**GENERAL INFORMATION**

<b>Name of Director</b> <i>(Note 1)</i>	<b>The Company/ name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b> <i>(Note 2)</i>	<b>Approximate percentage of interest</b>
Gan Sem Yam	The Company	Beneficial owner	26,037,500 Shares (L) <i>(Notes 3 and 7)</i>	3.00%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–
Gan Chu Cheng	The Company	Beneficial owner	39,600,775 Shares (L) <i>(Notes 3 and 7)</i>	4.57%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–
Zhang Pei Yu	The Company	Beneficial owner	6,802,000 Shares (L) <i>(Notes 4 and 7)</i>	0.78%
Gan Tiong Sia	The Company	Beneficial owner	27,400,775 Shares (L) <i>(Notes 5 and 7)</i>	3.16%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	1,000,000 Shares (L) <i>(Notes 6 and 7)</i>	0.12%

Name of Director (Note 1)	The Company/ name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	1,000,000 Shares (L) (Notes 6 and 7)	0.12%
Tang Sim Cheow	The Company	Beneficial owner	500,000 Shares (L) (Notes 6 and 7)	0.06%

## Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.
2. The letter "L" represents the Director's interest in the shares and underlying shares of the Company or its associated corporations.
3. 8,600,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted by the Company under the share option scheme of the Company.
4. 6,800,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted by the Company under the share option scheme of the Company.
5. 2,000,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted by the Company under the share option scheme of the Company.
6. 500,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted by the Company under the share option scheme of the Company.
7. Pursuant to resolutions passed on 17 August 2007, the Board approved the grant of 85,500,000 share options under the rules of the share option scheme of the Company for the grantees to subscribe for option shares at a subscription price of HK\$0.323 per option share. The grantees include four executive Directors, one non-executive Director and three independent non-executive Directors. As the Latest Practicable Date, none of the options granted have been exercised or have lapsed.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under section 344 of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 July 2007, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group, other than (i) the leasing of the properties to the Group from V.S. (Zhuhai) Management Co., Ltd. (“**VS Management**”) under the lease agreements (“**New Lease Agreements**”), details of which were included in the announcement of the Company dated 14 November 2006; (ii) the supply of moulds under the master supply agreement dated 28 December 2005 (“**Master Supply Agreement**”) entered into between the Group and VS Berhad, details of which were included in the announcement of the Company dated 28 December 2005; (iii) the sub-contracting of the design and fabrication of moulds under the master manufacturing agreement dated 12 May 2006 (“**Master Manufacturing Agreement**”) entered into between the Group and VS Berhad, details of which were included in the announcement of the Company dated 15 May 2006; and (iv) the leasing of the properties to the Group from VS Management under the lease agreement dated 2 August 2006 (“**Existing Lease Agreement**”), details of which were included in the announcement of the Company dated 2 August 2006. Particulars of the above transactions are summarised as follows:

- (i) On 14 November 2006, V.S. Technology Industry Park (Zhuhai) Co., Ltd. (“**VS Zhuhai**”), VSA Electronics Technology (Zhuhai) Co., Ltd. and V.S. Industry (Zhuhai) Co., Ltd. entered into the New Lease Agreements with VS Management in relation to the lease of certain residential units by the Group from VS Management for a term of 2 years commencing from 1 August 2007. As at the Latest Practicable Date, the New Lease Agreements have commenced and the rent and management fee paid under the New Lease Agreements was in the sum of HK\$5,107,209.
- (ii) Pursuant to the Master Supply Agreement, the V.S. International Industry Limited (“**VSIIL**”) (for itself and on behalf of its subsidiaries (collectively the “**VSIIL Group**”)) has agreed to sell, and the V.S. Industry Berhad (for itself and on behalf of its subsidiaries (“**VS Berhad**” and, collectively, the “**VS Berhad Group**”)) has agreed to purchase, moulds designed and fabricated by the VSIIL Group and certain plastic moulded products and parts manufactured by the VSIIL Group during the term of the Master Supply Agreement. According to the audited accounts of the Group for the financial year ended 31 July 2007, the sales amounts of moulds and of plastic moulded products and parts from the VSIIL Group to the VS Berhad Group under the Master Supply Agreement for the financial year ended 31 July 2007 amounted to approximately HK\$599,963.
- (iii) Pursuant to the Master Manufacturing Agreement, VSIIL (for itself and on behalf of the other members of the VSIIL Group) has agreed to appoint VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) to act as a sub-contractor of the VSIIL Group (and VS Berhad has agreed to act as such) for the design and fabrication of moulds from time to time during the term of the Master Manufacturing Agreement. According to the audited accounts of the Group for the financial year ended 31 July 2007, the fees paid by the VSIIL Group to

the VS Berhad Group for the design and fabrication of moulds under the Master Manufacturing Agreement for the financial year ended 31 July 2007 amounted to approximately HK\$44,051.

- (iv) On 2 August 2006, VS Zhuhai entered into the Existing Lease Agreement with VS Management in relation to the lease of certain residential units by the Group from VS Management for a term of 1 year commencing from 1 August 2006. According to the audited accounts of the Group for the financial year ended 31 July 2007, the rent and management fee paid by the Group to VS Management for the leased properties under the Existing Lease Agreement for the financial year ended 31 July 2007 amounted to approximately HK\$9,006,289.

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group since 31 July 2007, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Group, other than (i) the New Lease Agreements; (ii) the Master Supply Agreement; (iii) the Master Manufacturing Agreement; and (iv) the Existing Lease Agreement.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Number of Shares held <i>(Note)</i>	Nature of interest/Capacity	Approximate percentage of interest
VS Berhad	371,996,900(L)	Beneficial owner	42.91%
Inabata Sangyo (HK) Limited	82,000,000(L)	Beneficial owner	9.46%
Atlantis Investment Management Ltd	48,156,000(L)	Investment manager	5.55%

*Note:* The letter "L" represents the person's interest in the Shares.

Save as disclosed above, there was no person (not being a Director or chief executive of the Company) known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. SUBSTANTIAL SHAREHOLDERS OF SUBSIDIARIES OF THE COMPANY

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) were, either directly or indirectly, interested in shares representing 10% or more of the nominal value of any class of share capital or, as the case may be, registered capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company:

Name of subsidiary	Name of shareholder	No. of shares held/amount of registered capital owned	Percentage of shareholdings
VSA Holding Hong Kong Co., Limited	Andes Electric Co., Ltd.	2,964,000 ordinary shares of HK\$1 each	19%
VSA Holding Hong Kong Co., Limited	Sumitronics Hong Kong Ltd.	1,560,000 ordinary shares of HK\$1 each	10%

#### 5. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### 6. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 July 2007, being the date to which the latest published audited financial statements of the Group were made up.

#### 7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

#### 8. COMPETING INTEREST

As at the Latest Practicable Date, Messrs Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng, all being Directors, were directors and shareholders of VS Berhad. VS Berhad is currently engaged in the manufacturing, assembling and sale of electronic and electrical products including primarily high-end vacuum cleaners, television and remote controls as well as plastic moulded components and parts. VS Berhad is also engaged in the business of mould design and fabrication.

In order to delineate the businesses of VS Berhad and its subsidiaries and those of the Group clearly and to regulate their respective activities with their customers, VS Berhad and the Company have given to each other certain non-compete undertakings under a territorial delineation agreement dated 20 January 2002 (“**Territorial Agreement**”), particulars of which are set out under “Relationship with the Group” in the section headed “Information on VS Berhad” in the Company’s prospectus dated 28 January 2002.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

## **9. QUALIFICATION AND CONSENT OF EXPERT**

The Independent Financial Adviser is a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorized financial institution under the SFO to carry on the regulated activities type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as set out in Schedule 5 to the SFO.

Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

The Independent Financial Adviser does not have any interest, direct or indirect, in any assets which since 31 July 2007, being the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Chiu & Partners, 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 28 November 2007 up to and including 14 December 2007:

- (i) the Master Supply Agreement;
- (ii) the New Master Supply Agreement;
- (iii) the New Lease Agreements;
- (iv) the Existing Lease Agreement;



- (v) the Master Manufacturing Agreement; and
- (vi) the Territorial Agreement.

**11. MISCELLANEOUS**

- (i) The company secretary and qualified accountant of the Company is Mr. Goh Thian Song.

Mr. Goh is a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of Hong Kong Institute of Certified Public Accountants. Mr. Goh has gained over 15 years of experiences in relation to accounting, auditing and financing in the PRC and Malaysia.

- (ii) The principal share registrar and transfer office of the Company is the Bank of Bermuda (Cayman) Limited of 36C Bermuda House, 3rd Floor, P.O. Box 513 G.T., Dr. Roy's Drive, George Town, Grand Cayman, British West Indies.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

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NOTICE OF EGM

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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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of V.S. International Group Limited (“**Company**”) will be held at Star City Hotel, No. 88, Jingshan Road, Jida, Zhuhai, Guangdong Province, the People’s Republic of China on Friday, 14 December 2007 at 12:00 noon for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

**“THAT**

- (a) the revised cap (“**Revised Cap**”) for the year ending 31 July 2008 under the master supply agreement entered into between VSIL and VS Berhad on 28 December 2005;
- (b) the renewed master supply agreement (“**New Master Supply Agreement**”) entered into between VSIL and VS Berhad on 16 November 2007 and the transactions contemplated thereby;

be and are hereby approved and that the directors of the Company be and are hereby authorised to take any action and sign any document (under seal, if necessary) as they consider necessary, desirable or expedient in connection with the Revised Cap and the New Master Supply Agreement or the transactions contemplated thereby.”

Yours faithfully,  
For and on behalf of  
the board of Directors of  
**V.S. International Group Limited**  
**Beh Kim Ling**  
*Chairman*

Zhuhai, the People’s Republic of China  
28 November 2007

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## NOTICE OF EGM

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***Registered office:***

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

***Head office and principal place  
of business in Hong Kong:***

4106, 41st Floor  
Office Tower, Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company but must be present in person to represent him.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited ("**Branch Registrar**") of Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 48 hours before the time of the meeting or any adjournment thereof.
3. As at the date of this notice, the board of directors of the Company comprises Mr. Beh Kim Ling, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Zhang Pei Yu as executive directors, Mr. Gan Tiong Sia as non-executive director, and Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow as independent non-executive directors.