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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)**

### CONNECTED TRANSACTION: JOINT VENTURE IN VIETNAM

**Independent financial adviser**



**Evolution Watterson Securities Limited**

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A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee is set out on page 10 of this circular. A letter from Evolution Watterson containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 13 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, 11 May 2007 at 11:00 a.m. is set out on pages 22 to 23 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 meeting 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.

20 April 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:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“B&E”	B&E Holding Limited, a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is owned by Mr. KS Beh
“Chartered Capital”	the chartered capital of VS Vietnam
“Company”	V.S. International Group Limited, 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
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company convened to be held on Friday, 11 May 2007 at Star City Hotel, No. 88, Jingshan Road, Jida, Zhuhai, Guangdong Province, the PRC at 11:00 a.m. for approving the New JV Contract and the New JV Charter by the Independent Shareholders
“Evolution Watterson”	Evolution Watterson Securities Limited, the independent financial advisers to the Independent Board Committee and the Independent Shareholders in relation to the New JV Contract and New JV Charter
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board established on 28 March 2007 for the purpose of advising the Independent Shareholders on the New JV Contract, the New JV Charter and the transaction contemplated thereby, the members of which include all the independent non-executive Directors, namely Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow

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## DEFINITIONS

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“Independent Shareholders”	any shareholder of the Company (other than Mr. Beh Kim Ling, Madam Gan Chu Cheng and their respective associates) that is not required to abstain from voting at the general meeting, if necessary, to approve a connected transaction
“Independent Third Party(ies)”	third party(ies) who and whose ultimate beneficial owners are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Latest Practicable Date”	18 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. KS Beh”	Mr. Beh Kim Siea, the brother of Mr. Beh Kim Ling who is an executive Director and the chairman of the Company
“New JV Charter”	the joint venture charter dated 30 March 2007 and entered into between VNT, B&E, VS Holding and Toyota in relation to VS Vietnam
“New JV Contract”	the joint venture contract dated 30 March 2007 and entered into between VNT, B&E, VS Holding and Toyota for the cooperation and joint investment in VS Vietnam to manufacture of plastic spare parts, assembling and sale of electronic products, design and provision of mould maintenances and repairing services
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Toyota”	Toyota Tsusho (H.K.) Corp., Ltd, a company incorporated under the laws of Hong Kong
“US\$”	dollars of the United States of America, the lawful currency of the United States of America
“Vietnam”	the Socialist Republic of Vietnam
“VNT”	VNT Company Limited, a company incorporated under the laws of Vietnam
“VS Berhad”	V.S. Industry Berhad, a company incorporated under the laws of Malaysia whose shares are listed on the Bursa Malaysia and a controlling shareholder of the Company
“VS Holding”	V.S. Holding Vietnam Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of the Company
“VS Vietnam”	VS Industry Vietnam Joint Stock Company (formerly known as VS Industry Vietnam Co., Ltd.), a joint venture company set up under the Investment Law of Vietnam
“%”	per cent.

*For the purposes of this circular, conversion of currencies has been calculated using the following exchange rate:*

*HK\$7.80 = US\$1.00*

*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.*

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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

*Non-executive Director:*

Mr. Gan Tiong Sia

*Independent non-executive Directors:*

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

*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

20 April 2007

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
JOINT VENTURE IN VIETNAM**

**1. INTRODUCTION**

By the announcement of the Company dated 30 March 2007, it was announced that the New JV Contract and the New JV Charter were entered into by VS Holding, VNT, B&E and Toyota on 30 March 2007 after trading hours.

The purpose of this circular is to provide you with information in relation to the transaction contemplated under the New JV Contract and the New JV Charter, the advice of the Independent Board Committee and the letter of advice from Evolution Watterson to the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM THE BOARD

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### 2. NEW JV CONTRACT AND NEW JV CHARTER

**Date:** 30 March 2007 (after trading hours)

**Parties:** (1) VNT, as Party A to the New JV Contract  
(2) B&E, as Party B to the New JV Contract  
(3) VS Holding, as Party C to the New JV Contract  
(4) Toyota, as Party D to the New JV Contract.

As announced by the Company on 21 February 2006, a joint venture contract was entered into between VNT, B&E and VS Holding on 20 February 2006 for the establishment of VS Vietnam. By an agreement made between B&E and Toyota on 29 May 2006, B&E agreed to sell and Toyota agreed to purchase 20.1% of the total legal capital of VS Vietnam at the price of US\$1.00 at par value per share. As a result of the sale and purchase of 20.1% of the total legal capital of VS Vietnam between B&E and Toyota, Toyota became a shareholder of VS Vietnam on 29 May 2006.

To the Directors' best knowledge, information and belief having made all reasonable enquiry, VNT is an investment holding company and Toyota is a supplier of resin to VS Vietnam, and such companies and their respective beneficial owners are Independent Third Parties, otherwise than their being shareholders of VS Vietnam. B&E is an investment holding company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is owned by Mr. KS Beh, the brother of Mr. Beh Kim Ling who is an executive Director and chairman of the Company. VS Holding is a wholly-owned subsidiary of the Company.

Under the New JV Contract, VS Holding, VNT, B&E and Toyota have agreed with each other for the increase of Chartered Capital in VS Vietnam in the amount set out in the paragraph headed "Existing Chartered Capital and increase on Chartered Capital" below.

The New JV Charter was also entered into between VS Holding, VNT, B&E and Toyota on 30 March 2007 to record the consequential changes arising from the increase of the Chartered Capital in VS Vietnam.

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## LETTER FROM THE BOARD

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### Existing Chartered Capital and increase on Chartered Capital

As at the date hereof, the Chartered Capital of VS Vietnam is US\$5,956,500 (equivalent to approximately HK\$46,460,700). The Chartered Capital were contributed by VNT, B&E, VS Holding and Toyota in such amounts on the second column of the following table. Pursuant to the New JV Contract, VS Holding, VNT, B&E and Toyota have agreed that VS Holding and B&E shall contribute further amount of US\$1,654,500 (equivalent to approximately HK\$12,905,100) and US\$2,589,000 (equivalent to approximately HK\$20,194,200) respectively. After the increase, the aggregate amount of Chartered Capital contributed by each of VNT, B&E, VS Holding and Toyota shall be as follows:

Joint Ventures Parties	Existing Chartered Capital contributed	Approximate percentage in the existing Chartered Capital	Aggregate Chartered Capital contributed after completion of the New JV Contract	Approximate percentage in the enlarged Chartered Capital after completion of the New JV Contract
VNT	US\$ 450,000	7.6%	US\$ 450,000	4.4%
B&E	US\$3,411,000	57.3%	US\$ 6,000,000	58.8%
VS Holding	US\$ 895,500	15.0%	US\$ 2,550,000	25.0%
Toyota	US\$1,200,000	20.1%	US\$ 1,200,000	11.8%
	<u>US\$5,956,500</u>	<u>100.0%</u>	<u>US\$10,200,000</u>	<u>100.0%</u>

According to the New JV Contract, the Chartered Capital shall be contributed by the parties within 90 days from the date of issue of the investment certificate of VS Vietnam by the People's Committee of Bac Ninh in respect of the Chartered Capital of US\$10,200,000 (equivalent to approximately HK\$79,560,000).

Under the New JV Contract, B&E shall contribute the Chartered Capital in cash or by way of machineries and equipments. The value of the machineries and equipments will be assessed by a qualified independent valuer. VS Holding shall contribute the Chartered Capital in cash, which will be funded by internal resources of the Group.

According to the New JV Contract, unless the parties thereto otherwise agree in writing, the management board of VS Vietnam shall consist of eight directors, three of whom are to be nominated by B&E and two by each of VS Holding and VNT and one by Toyota. The chairman of the management board shall be appointed by the management board of VS Vietnam and the vice-chairman shall be appointed by B&E.

It was agreed by the parties under the New JV Contract that the assumption and performance of the obligations of VS Holding shall be subject to and conditional upon the approval by the Independent Shareholders of the transaction contemplated under the New JV Contract.



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## LETTER FROM THE BOARD

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### 3. REASONS FOR THE TRANSACTION

The Group is principally engaged in the manufacturing and sales of plastic moulded components and parts, assembling of electronic products and mould design and fabrication.

VS Vietnam is principally engaged in the manufacturing of plastic spare parts, assembling and sale of electronic products and design, manufacturing and sale of plastic injection moulds and provision of mould maintenance and repairing services. For the year ended 31 December 2006 (being the financial year in which VS Vietnam was formed), the unaudited net profit before tax and extraordinary items attributable to the shareholders of VS Vietnam amounted to approximately HK\$206,000 and the net profit after tax and extraordinary items attributable to the shareholders of VS Vietnam amounted to approximately HK\$206,000. The financial statements of VS Vietnam were prepared in accordance with Vietnam Accounting Standards.

The investment in VS Vietnam is in line with the current principal business of the Group. The Directors are optimistic about the future growth of plastic injection industry in Vietnam, as such the transaction will enable the Group to have larger share of return in VS Vietnam. For such reasons, the Directors consider that the terms of the New JV Contract are in the ordinary course of business and on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. The further capital injection is raised for the purposes of the construction of new warehouse (with just-in-time facilities) and additional plants and machineries to meet customer requirements. As disclosed in note 17 of the consolidated financial statements of the Company for the year ended 31 July 2006, by virtue of the significant influence over the management, including participating in the financial and operating policy decisions, VS Vietnam is considered to be an associate of the Group. After the increase of interest of the Group in VS Vietnam from 15% to 25%, VS Vietnam will continue to be an associate of the Group.

### 4. GENERAL

Being a brother and hence an associate of Mr. Beh Kim Ling, an executive Director and the chairman of the Company, and a brother-in-law of Madam Gan Chu Cheng, an executive Director, under Rule 14A.11(4)(b) and (c), Mr. KS Beh is a connected person of the Company. By virtue of Mr. KS Beh being the sole shareholder of B&E, B&E is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the New JV Contract and the New JV Charter by VS Holding with, among others, B&E constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

### 5. EGM

The Company will convene the EGM at 11:00 a.m. on Friday, 11 May 2007 at Star City Hotel, No. 88, Jingshan Road, Jida, Zhuhai, Guangdong Province, the PRC to consider and, if thought fit, approve the connected transaction as contemplated under the New JV Contract and New JV Charter. A notice of the EGM is set out on pages 22 to 23 of this circular.

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## LETTER FROM THE BOARD

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For the reason that Mr. KS Beh being an associate of Mr. Beh Kim Ling and Madam Gan Chu Cheng, Mr. Beh Kim Ling, Madam Gan Chu Cheng and their respective associates will abstain from voting in respect of the ordinary resolution proposed to approve the connected transaction as contemplated under the New JV Contract and the New JV Charter at the EGM.

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.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the connected transaction as contemplated under the New JV Contract and the New JV Charter will be taken by poll, the results of which will be announced after the EGM.

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## LETTER FROM THE BOARD

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### 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 terms of the connected transaction as contemplated under the New JV Contract and the New JV Charter and whether such connected transaction is in the interests of the Company and its Shareholders as a whole. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 10 of this circular. Your attention is also drawn to the letter of advice from Evolution Watterson to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction as contemplated under the New JV Contract and the New JV Charter set out on page 11 to page 13 of this circular.

The Independent Board Committee, having taken into account the advice of Evolution Watterson, considers that the New JV Contract and the New JV Charter 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 terms of the connected transaction as contemplated under the New JV Contract and the New JV Charter 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 connected transaction as contemplated under the New JV Contract and the New JV Charter 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)**

20 April 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
JOINT VENTURE IN VIETNAM**

We refer to the circular issued by the Company to its Shareholders and dated 20 April 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 transaction contemplated under the New JV Contract and the New JV Charter constitutes connected transaction for the Company and are subject to the approval of the Independent Shareholders.

We have been appointed by the Board to consider the terms of the New JV Contract and the New JV Charter and to advise the Independent Shareholders in connection with the connected transaction as contemplated under the New JV Contract and the New JV Charter as to whether, in our opinion, their terms are fair and reasonable and whether such connected transaction is in the interests of the Company and its Shareholders as a whole. Evolution Watterson 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 Evolution Watterson as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Evolution Watterson as set out in its letter of advice, we consider that the New JV Contract and the New JV Charter 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 connected transaction as contemplated under the New JV Contract and the New JV Charter are fair and reasonable and such connected transaction is 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 ordinary resolution to approve the connected transaction as contemplated under the New JV Contract and the New JV Charter 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 EVOLUTION WATTERSON

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20 April 2007

The Independent Board Committee and Independent Shareholders  
V.S. International Group Limited  
Suite 4106, 41st Floor  
Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

### **Connected Transaction relating to the Joint Venture in Vietnam**

We refer to our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the proposed connected transaction relating to the increase in the Chartered Capital of VS Vietnam under the New JV Contract. Under the New JV contract, VS Holding, VNT, B&E and Toyota agreed that the total Chartered Capital shall be increased from US\$5,956,500 (equivalent to approximately HK\$46,460,700) to US\$10,200,000 (equivalent to approximately HK\$79,560,000) by VS Holding and B&E, which would contribute further amount of US\$1,654,500 (equivalent to approximately HK\$12,905,100) and US\$2,589,000 (equivalent to approximately HK\$20,194,200) respectively.

Being a brother and hence an associate of Mr. Beh Kim Ling, an executive Director and chairman of the Company, and a brother-in-law of Madam Gan Chu Cheng, an executive Director, under the Listing Rules, Mr. KS Beh is a connected person of the Company. By virtue of Mr. KS Beh being the sole shareholder of B&E, B&E is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the New JV Contract and the New JV Charter by VS Holding with, amongst others, B&E constituted a connected transaction for the Company and is therefore subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Our role as independent financial adviser is to give our opinion as to whether the terms of the New JV Contract and the New JV Charter are in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and its Shareholders as a whole. Details of the above proposed connected transactions are set out in the Letter from the Board contained in the Circular dated 20 April 2007 to Shareholders. Our letter forms part of the Circular and capitalised terms used in this letter have the same meanings as those defined therein.

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## LETTER FROM EVOLUTION WATTERSON

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In putting forth our advice, we have relied on the Company to provide us with all relevant information including the New JV Contract and the New JV Charter as well as the background for the entering into the New JV Contract. We have also assumed that all statements made in the Letter from the Board as contained in the Circular are fair and accurate and continue to be so as at the date of the Circular.

We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our advice. The Directors have also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or are misleading. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation into the businesses or affairs of the Group or VS Vietnam.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion on the terms of the connected transaction, we have taken into consideration the following factors and reasons:

#### **Background to the connected transaction**

The Group is principally engaged in the manufacturing and sales of plastic moulded components and parts, assembling of electronic products and mould design and fabrication. The VS Vietnam joint venture was entered into in February 2006 with the view that VS Vietnam's principal business is in line with that of the Group. At present, VS Vietnam is principally engaged in the manufacturing of plastic spare parts, assembling and sale of electronic products and design, manufacturing and sale of plastic injection moulds and provision of mould maintenance and repairing services.

We noted that the Group's additional investment in VS Vietnam is in line with its current principal business. Furthermore, its further investment under the New JV Contract would increase the Group's equity share in VS Vietnam from 15% to 25%. The additional capital raised is for the purposes of the construction of new warehouse facilities, additional plants and machineries to meet customers' requirements. On that basis, we are of the view that the entering into the New JV Contract and New JV Charter are in the ordinary and usual course of business of the Group.

#### **Terms of the New JV Contract and New JV Charter**

Under the New JV Contract, B&E shall contribute the Chartered Capital in cash or by way of machineries and equipments, in which case the value of which will be assessed by a qualified independent valuer; whereas, VS Holding shall contribute the Chartered Capital in cash. Following the increase in Chartered Capital contributions by B&E and VS Holding, their respective percentage shareholding in VS Vietnam will increase from 57.3% to 58.8% and from 15.0% to 25.0% respectively; whereas the respective shareholding of VNT and Toyota in VS Vietnam will be diluted from 7.6% to 4.4% and from 20.1% to 11.8% respectively.

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## LETTER FROM EVOLUTION WATTERSON

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Currently, VS Holding has only one director on the board of VS Vietnam. Under the New JV Contract, the board of VS Vietnam shall consist of eight directors, three of whom are to be nominated by B&E and two by each of VS Holding and VNT and one by Toyota. The chairman of VS Vietnam shall be appointed by the management board of VS Vietnam and the vice-chairman shall be appointed by B&E. Following completion of the increase in Chartered Capital, the percentage representation of the number of board members of VS Holding in VS Vietnam reflects VS Holding's 25% equity interest in VS Vietnam. On that basis, we are of opinion that VS Holding's board representation in VS Vietnam as mentioned above is fair and reasonable.

The New JV Contract and the New JV Charter was entered into between VS Holding, VNT, B&E and Toyota to record the consequential changes arising from the increase of the Chartered Capital in VS Vietnam.

As the Group's additional investment in VS Vietnam is in line with its current principal business for the purpose of expanding its operation in Vietnam, we believe this is in the interest of the Company and its Shareholders as a whole. In addition, given the increase in Chartered Capital by B&E and VS Holding are made either in cash or in the form of machineries and equipments reflecting their respective capital contributions in VS Vietnam without ascribing any intangible assets by either of them, we are of the view that the terms of the New JV Contract and the New JV Charter are fair and reasonable so far as the Independent Shareholders are concerned.

### ADVICE

Having considered the above principal factors and reasons, we are of the opinion that the New JV Contract and the New JV Charter were entered on normal commercial terms and in the ordinary and usual course of business, and that their terms are fair and reasonable so far as the Independent Shareholders are concerned. Consequently, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Evolution Watterson Securities Limited**  
**David Tsang**  
*Managing Director*

## 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:

<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>
Beh Kim Ling	The Company	Beneficial owner	39,200,775 Shares (L) <i>(Notes 3 and 5)</i>	4.57%
	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)	–
Gan Sem Yam	The Company	Beneficial owner	39,200,775 Shares (L)	4.57%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%



<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>
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–
Gan Chu Cheng	The Company	Beneficial owner	39,200,775 Shares (L)	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	2,000 Shares (L)	0%
Gan Tiong Sia	The Company	Beneficial owner	25,400,775 Shares (L)	2.96%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	500,000 Shares (L)	0.06%
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	500,000 Shares (L) <i>(Notes 4 and 5)</i>	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. 8,200,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Beh Kim Ling by the Company under the share option scheme of the Company.
4. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Cheung Kwan Hung, Anthony by the Company under the share option scheme of the Company.

5. On 12 July 2005, share options were granted by the Company under the share option scheme to, among other eligible participants, the Directors. All these share options, which remained outstanding as at the Latest Practicable Date, are exercisable at a subscription price of HK\$0.18 per Share during the exercise periods set out below. Details of the share options granted are as follows:

Name of Director	Number of Shares that would be allotted and issued	Exercise period
Beh Kim Ling	(i) 2,050,000	12 July 2005 to 12 July 2007
	(ii) 2,050,000	25 November 2005 to 12 July 2007
	(iii) 2,050,000	10 April 2006 to 12 July 2007
	(iv) 2,050,000	23 August 2006 to 12 July 2007
Cheung Kwan Hung, Anthony	(i) 125,000	12 July 2005 to 12 July 2007
	(ii) 125,000	25 November 2005 to 12 July 2007
	(iii) 125,000	10 April 2006 to 12 July 2007
	(iv) 125,000	23 August 2006 to 12 July 2007

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 2006, 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. Since the New Lease Agreements are yet to commence, no rental has been paid as at the Latest Practicable Date.
- (ii) Pursuant to the Master Supply Agreement, the V.S. International Industry Limited (“**VSIIIL**”) (for itself and on behalf of its subsidiaries (collectively the “**VSIIIL 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 VSIIIL Group and certain plastic moulded products and parts manufactured by the VSIIIL Group during the term of the Master Supply Agreement. According to the audited accounts of the Group for the financial year ended 31 July 2006, the sales amounts of moulds and of plastic moulded products and parts from the VSIIIL Group to the VS Berhad Group under the Master Supply Agreement for the financial year ended 31 July 2006 amounted to approximately HK\$2,914,000.
- (iii) Pursuant to the Master Manufacturing Agreement, VSIIIL (for itself and on behalf of the other members of the VSIIIL 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 VSIIIL 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 2006, the fees paid by the VSIIIL 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 2006 amounted to approximately HK\$2,032,000.
- (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 management accounts of the Group for the eight months ended 31 March 2007, the rent and management fee paid by the Group to VS Management for the leased properties under the Existing Lease Agreement for the eight months ended 31 March 2007 amounted to approximately HK\$8,743,000.

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 2006, 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 (Note)	Nature of interest/ Capacity	Approximate percentage of interest
VS Berhad	371,996,900 (L)	Beneficial owner	43.34%
Inabata Sangyo (HK) Limited	82,000,000 (L)	Beneficial owner	9.55%
Atlantis Investment Management Ltd	48,156,000 (L)	Investment manager	5.61%

*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 2006, 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**

Evolution Watterson is a corporation licensed to carry on the regulated activities type 1 (dealing in securities) and type 6 (advising on corporate finance) as set out in Schedule 5 to the SFO.

Evolution Watterson 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, Evolution Watterson 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.

Evolution Watterson does not have any interest, direct or indirect, in any assets which since 31 July 2006, 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 20 April 2007 up to and including 11 May 2007:

- (i) the New JV Contract;
- (ii) the New JV Charter;
- (iii) the New Lease Agreements;
- (iv) the Master Supply Agreement;
- (v) the Master Manufacturing Agreement;

- (vi) the Existing Lease Agreement; and
- (vii) 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 10 years experience in accounting and finance in the manufacturing industry in Malaysia and the PRC before joining the Group.

- (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 Shops 1712-1716, 17th 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 PRC on Friday, 11 May 2007, at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the joint venture contract (“**New JV Contract**”) dated 30 March 2007 and entered into between VNT Company Limited (“**VNT**”), B&E Holding Limited (“**B&E**”), V.S. Holding Vietnam Limited (“**VS Holding**”) and Toyota Tsusho (H.K.) Corp., Ltd (“**Toyota**”) for the cooperation and joint investment in VS Industry Vietnam Joint Stock Company (formerly known as VS Industry Vietnam Co., Ltd.) (“**VS Vietnam**”) to manufacture of plastic spare parts, assembling and sale of electronic products, design and provision of mould maintenances and repairing services and the transactions contemplated thereby;
- (b) the joint venture charter (“**New JV Charter**”) dated 30 March 2007 and entered into between VNT, B&E, VS Holding and Toyota in relation to VS Vietnam 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 New JV Contract and the New JV Charter 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 PRC  
20 April 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 of Shops 1712-1716, 17th 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.