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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

The board of Directors of the Company wishes to announce that, on 5 February 2007, the Company executed the Corporate Guarantee in favour of Maybank to secure the repayment obligations to the extent of US\$300,000 (equivalent to approximately HK\$2,340,000) of VS Vietnam, a joint venture company in which the Company hold approximately 15% of the entire equity interest, under the Loan Facilities. The maximum amount which may be advanced to VS Vietnam by Maybank under the Loan Facilities is US\$2,000,000 (equivalent to approximately HK\$15,600,000).

The provision of the Corporate Guarantee by the Company constituted a connected transaction of the Company under Rule 14A.13(2)(a)(ii) of the Listing Rules. As the relevant percentage ratios in respect of the Corporate Guarantee exceeds 0.1% but is less than 2.5%, the Corporate Guarantee is subject to the reporting and announcement requirements and annual review requirements set out in Rule 14A.45 of the Listing Rules but is exempted from independent shareholders' approval under Rule 14A.66(2) of the Listing Rules.

CORPORATE GUARANTEE

On 5 February, 2007, the Company executed the Corporate Guarantee in favour of Maybank to secure the repayment obligations of VS Vietnam to the extent of US\$300,000 (equivalent to approximately HK\$2,340,000) under the Loan Facilities. The maximum amount which may be advanced to VS Vietnam by Maybank under the Loan Facilities are US\$2,000,000 (equivalent to approximately HK\$15,600,000) which consists of (i) letter of credit, trust receipts and foreign bill of exchange totaling of US\$1,500,000 (equivalent to approximately HK\$11,700,000) and (ii) revolving credit totaling of US\$500,000 (equivalent to approximately HK\$3,900,000). The limit of each facilities may be interchangeable at the discretion of Maybank, provided always that the total amount of the facilities utilized at any time shall not exceed US\$1,500,000 and US\$500,000 respectively.

The following securities are or will be given in favour of Maybank under the Loan Facilities:

- (i) the Corporate Guarantee from the Company for US\$300,000 (equivalent to approximately HK\$2,340,000);
- (ii) a personal guarantee from Mr. KS Beh for US\$1,427,400 (equivalent to approximately HK\$11,133,720);

- (iii) a personal guarantee from Mr. Ha Van Tham for US\$272,600 (equivalent to approximately HK\$2,126,280); and
- (iv) upfront cash deposit of 10% for each letter of credit issued.

As at the date of this announcement, VS Vietnam is held as to approximately 7.6%, 57.3%, 15.0% and 20.1% by VNT, B&E, VS Holding and Toyota respectively.

VS Holding is a wholly-owned subsidiary of the Company. Mr. Ha Van Tham is one of the shareholders of VNT.

B&E is wholly-owned by Mr. KS Beh, a brother 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.

To the Directors' best knowledge, information and belief having made all reasonable enquiries, 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.

As announced by the Company on 20 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. 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. Save and except the provision of Corporate Guarantee as mentioned in this announcement, the Company has not provided any financial assistance (as such term is defined under the Listing Rules) to VS Vietnam during the 12 months immediately before the date of this announcement.

MAJOR TERMS OF THE CORPORATE GUARANTEE

Pursuant to the Corporate Guarantee, the Company has agreed that:

- (1) the Company will pay Maybank on its first demand in writing in respect of all sums (whether principal, interest, fees or otherwise) whatsoever which are or at any time may be or become due from or owing by VS Vietnam to Maybank, whether actually or contingently under or in connection with the Loan Facilities (the "**Debt**") up to an amount of US\$300,000 (equivalent to approximately HK\$2,340,000) of the Debt and all costs charges and expenses (including all legal costs and expenses on a full indemnity basis) which Maybank may incur in enforcing or seeking to enforce the Corporate Guarantee ("**Guaranteed Amount**");
- (2) any sum or sums of money which may not be recoverable from as a guarantee (whether by reason of any legal limitation or incapacity of VS Vietnam or by any other fact or circumstances and whether known to Maybank or not) shall nevertheless be recoverable from the Company as sole or principal debtors and shall be paid by the Company on demand;
- (3) the Corporate Guarantee shall be a continuing guarantee to Maybank for the purpose of securing the entire Debt (subject to the liability of the Company not exceeding the Guaranteed Amount) with interest on the sum claimable for the Company at the rate which is levied on VS Vietnam from time to time from the date of the Company receiving demand for payment thereof;
- (4) the Corporate Guarantee shall not be terminated by the Company or its successors in title unless, VS Vietnam has made full payment of all monies owing to Maybank under the Loan Facilities and the Loan Facilities have been terminated or unless the Company has made full payment of the Guaranteed Amount; and
- (5) the Corporate Guarantee and all rights obligations and liabilities arising thereunder shall be construed and determined under and be enforced in accordance with the laws of Hong Kong.

REASONS FOR THE CORPORATE GUARANTEE

The (i) letter of credit, trust receipts and foreign bill of exchange totaling of US\$1,500,000 (equivalent to approximately HK\$11,700,000) are obtained by VS Vietnam to finance the import of raw materials and related matters and the (ii) revolving credit totaling of US\$500,000 (equivalent to approximately HK\$3,900,000) is obtained by VS Vietnam for its general working capital purpose. Maybank required the provision of, among others, the Corporate Guarantee as security for the provision of the Loan Facilities to VS Vietnam.

Mr. KS Beh, 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), Mr. KS Beh is a connected person of the Company. By virtue of its indirect equity interest of approximately 57.3% in VS Vietnam through its interest in B&E, the provision of the Corporate Guarantee by the Company constituted a connected transaction of the Company under Rule 14A.13(2)(a)(ii) of the Listing Rules. As the relevant percentage ratios in respect of the Corporate Guarantee exceeds 0.1% but is less than 2.5%, the Corporate Guarantee is subject to the reporting and announcement requirements and annual review requirements set out in Rule 14A.45 of the Listing Rules but is exempted from independent shareholders' approval under Rule 14A.66(2) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the provision of the Corporate Guarantee is not in the ordinary and usual of business of the Company but the terms and conditions of the Corporate Guarantee are on normal commercial terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

GENERAL INFORMATION

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.

Maybank is a Malaysia-based bank providing, among others, commercial banking services in Vietnam. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Maybank is an Independent Third Party.

DEFINITIONS

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

“associate”	has the meaning ascribed thereto 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
“Company”	V.S. International Group Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Corporate Guarantee”	a corporate guarantee dated 5 February, 2007 in favour of Maybank pursuant to which the Company agreed to guarantee the repayment obligations in the sum of US\$300,000 of VS Vietnam under the Loan Facilities
“Directors”	the directors of the Company
“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 People's Republic of China
“Independent Third Party(ies)”	third party who and whose ultimate beneficial owners are third parties independent of the Company and connected persons of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Loan Facilities”	a banking facilities letter dated 2 January, 2007 in respect of the loan facilities of up to US\$2,000,000 which consists of (i) letter of credit, trust receipts and foreign bill of exchange totaling of US\$1,500,000 and (ii) a revolving credit totaling of US\$500,000
“Maybank”	Malayan Banking Berhad, the lender of the Loan Facilities and is a Malaysia-based bank providing, among others, commercial banking services in Vietnam
“Mr. KS Beh”	Mr. Beh Kim Siew, the brother of Mr. Beh Kim Ling who is an executive Director and the Chairman of the Company and the brother-in-law of Madam Gan Chu Cheng who is an executive Director
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Toyota”	Toyota Tsusho (H.K.) Corporation Limited, a company incorporated under the laws of Hong Kong
“US\$”	United States dollars, 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 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 Venture Stock Company (formerly known as VS Industry Vietnam Co., Ltd.), a joint venture company set up under the Foreign Investment Law of Vietnam
“%”	per cent.

LIST OF DIRECTORS AS AT THE DATE OF THIS ANNOUNCEMENT

Executive Directors:

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

Independent non-executive Directors:

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

Non-executive Director:

Mr. Gan Tiong Sia

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

Zhuhai, the PRC, 5 February 2007

For the purposes of this announcement, 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.

Please also refer to the published version of this announcement in The Standard.