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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**

The Board announces that VS Shenzhen, VSI (Zhuhai) and VS Zhuhai, which are wholly-owned subsidiaries of the Company, have entered into the Master Processing Agreements with Zhongshan Kejie on 17 January 2007.

Pursuant to the Master Processing Agreements, VS Shenzhen, VSI (Zhuhai) and VS Zhuhai have agreed to engage Zhongshan Kejie for colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the Master Processing Agreements. The quantity, specification and price of the processing services to be provided by Zhongshan Kejie under the Master Processing Agreements will be subject to individual orders placed by VS Shenzhen, VSI (Zhuhai) and VS Zhuhai with Zhongshan Kejie.

As at the date of this announcement, Mr. KH Beh indirectly holds 80% of the equity interest of Zhongshan Kejie. Being a brother and hence an associate of Mr. Beh Kim Ling, an executive Director and the chairman of the Company and the brother-in-law of Madam Gan Chu Cheng, an Executive Director, under Rule 14A.11(4)(b), Mr. KH Beh is a connected person of the Company. By virtue of Mr. KH Beh being a controlling shareholder of Zhongshan Kejie, Zhongshan Kejie constitutes a connected person of the Company under the Listing Rules. Accordingly, the processing arrangement as contemplated by the Master Processing Agreements constitutes Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules. Based on the expected annual capped amounts mentioned below, the continuing connected transactions constituted under the Master Processing Agreements are subject to the reporting and disclosure requirements under Rule 14A.34 of the Listing Rules and annual review requirements set out in Rules 14A.45 to 14A.46 of the Listing Rules.

The Board announces that VS Shenzhen, VSI (Zhuhai) and VS Zhuhai, which are wholly-owned subsidiaries of the Company, have entered into the Master Processing Agreements with Zhongshan Kejie on 17 January 2007.

#### **MASTER PROCESSING AGREEMENTS**

##### ***Date***

17 January 2007

##### ***Parties***

Customers: (i) VS Shenzhen  
(ii) VSI (Zhuhai)  
(iii) VS Zhuhai

Processing agent: Zhongshan Kejie, a wholly-foreign owned enterprise established in the PRC, of which Mr. KH Beh indirectly holds 80% of the equity interest of the holding company and Mr. Ye Wei Hui, an Independent Third Party, indirectly holds the remaining 20% of the equity interest thereof. Save and except the processing arrangement as mentioned in this announcement, Zhongshan Kejie has no other transaction with any members of the Group during the 12 months immediately before the date of this announcement.

### **Processing arrangement**

Pursuant to the Master Processing Agreements, VS Shenzhen, VSI (Zhuhai) and VS Zhuhai have agreed to engage Zhongshan Kejie for colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the Master Processing Agreements. The quantity, specification and price of the processing services to be provided by Zhongshan Kejie under the Master Processing Agreements will be subject to individual orders placed by VS Shenzhen, VSI (Zhuhai) and VS Zhuhai with Zhongshan Kejie.

According to the Master Processing Agreements, VS Shenzhen, VSI (Zhuhai) and VS Zhuhai shall settle the processing fees payable under the individual orders by depositing the payment to the bank account designated by Zhongshan Kejie within 60 days after each calendar month.

### **Term**

From 17 January 2007 to 31 July 2009 (both days inclusive)

### **Annual capped amounts**

VS Shenzhen, VSI (Zhuhai) and VS Zhuhai have been engaging Zhongshan Kejie for colouration of plastic resin material and modification of chemical structure of plastic resin since mid year 2006. For the period from 1 May 2006 to 16 January 2007 (being the date immediately before the date of the Master Processing Agreements), the processing fees charged by Zhongshan Kejie amounted to approximately HK\$973,000. Given that the processing fees charged by Zhongshan Kejie were less than HK\$1,000,000, the processing arrangement between VS Shenzhen, VSI (Zhuhai) and VS Zhuhai and Zhongshan Kejie for the period from 1 May 2006 to 16 January 2007 was exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following table sets out the expected annual capped amounts of the processing arrangement between VS Shenzhen, VSI (Zhuhai) and VS Zhuhai and Zhongshan Kejie for the three years ending 31 July 2009:

	<b>Year ending 31 July</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(from 17 January 2007)</b>		
<b>Expected Amounts of processing fees payable to Zhongshan Kejie</b>	HK\$5,947,485	HK\$8,626,000	HK\$9,606,000

The expected annual capped amounts of the processing fees for the three financial years ending 31 July 2009 is determined with reference to the following:

- the management account of each of VS Shenzhen, VSI (Zhuhai) and VS Zhuhai from 1 August 2006 to 31 December 2006;
- the quantity of the materials which are required to be recycled as requested by VS Shenzhen, VSI (Zhuhai) and VS Zhuhai;
- the estimated order based on the production requirements provided by VS Shenzhen, VSI (Zhuhai) and VS Zhuhai as at the date of the Master Processing Agreements; and
- the expected production of plastic moulded components and parts in the PRC.

### **Reasons for the Continuing Connected Transactions**

The Group is principally engaged in the manufacturing and sales of plastic moulded components and parts, assembly of electronic products and mould design and fabrication. Zhongshan Kejie is principally engaged in injection related industry business.

The process of coloration of plastic resin materials and modification of chemical structure of plastic resin would enhance the quality of the finished goods. However VS Shenzhen, VSI (Zhuhai) and VS Zhuhai do not have the necessary machineries and skilled labours for such processes. For such reasons, VS Shenzhen, VSI (Zhuhai) and VS Zhuhai have had been outsourcing the processes. VS Shenzhen, VSI (Zhuhai) and VS Zhuhai have engaged Zhongshan Kejie since mid year 2006 and the quality of services provided by Zhongshan Kejie have been satisfactory. Based on the track records, the average price offered by Zhongshan Kejie for the processing service is approximately 10% lower than that of the market price and Zhongshan Kejie is close in proximity to the production facilities of VS Shenzhen, VSI (Zhuhai) and VS Zhuhai. Based on these factors, VS Shenzhen, VSI (Zhuhai) and VS Zhuhai agreed to enter into the Master Processing Agreements with Zhongshan Kejie and the Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of the Master Processing Agreement were negotiated between the parties to it on an arm's length basis and are normal commercial terms that are fair and reasonable;
- (b) the expected annual capped amounts of the processing arrangement for the three years ending 31 July 2009 as referred to above are fair and reasonable; and
- (c) the Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of VS Shenzhen, VSI (Zhuhai) and VS Zhuhai and in the interest of the Company and its shareholders as a whole.

## GENERAL

As at the date of this announcement, Mr. KH Beh indirectly holds 80% of the equity interest of Zhongshan Kejie (while the remaining 20% of the equity interest is indirectly held by an Independent Third Party). Being a brother and hence an associate of Mr. Beh Kim Ling, an executive Director and the chairman of the Company and the brother-in-law of Madam Gan Chu Cheng, an Executive Director, under Rule 14A.11(4)(b), Mr. KH Beh is a connected person of the Company. By virtue of Mr. KH Beh being a controlling shareholder of Zhongshan Kejie, Zhongshan Kejie constitutes a connected person of the Company under the Listing Rules. Accordingly, the processing arrangement as contemplated by the Master Processing Agreements constitutes Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules. Based on the expected annual capped amounts mentioned above, the continuing connected transactions constituted under the Master Processing Agreements are subject to the reporting and disclosure requirements under Rule 14A.34 of the Listing Rules and annual review requirements set out in Rules 14A.45 to 14A.46 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“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
“Continuing Connected Transactions”	the continuing connected transactions between VS Shenzhen, VSI (Zhuhai) and VS Zhuhai and Zhongshan Kejie under the Master Processing Agreements
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Processing Agreements”	Collectively, the VS Shenzhen Master Processing Agreement, VSI (Zhuhai) Master Processing Agreement and VS Zhuhai Master Processing Agreement
“Mr. KH Beh”	Mr. Beh Kim Hun, 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 which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VS Shenzhen”	V.S. Industry (Shenzhen) Co., Ltd. (威士茂電子塑膠(深圳)有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned of the subsidiary Company
“VSI (Zhuhai)”	V.S. Industry (Zhuhai) Co., Ltd., (威士茂電子塑膠(珠海)有限公司), a wholly-owned subsidiary of the Company established in the PRC

“VS Zhuhai”	V.S. Technology Industry Park (Zhuhai) Co., Ltd., (威士茂科技工業園(珠海)有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“VS Shenzhen Master Processing agreement”	the master processing agreement dated 17 January 2007 and entered into between VS Shenzhen and Zhongshan Kejie in relation to the Continuing Connected Transactions
“VS Zhuhai Master Processing agreement”	the master processing agreement dated 17 January 2007 and entered into between VS Zhuhai and Zhongshan Kejie in relation to the Continuing Connected Transactions
“VSI (Zhuhai) Master Processing agreement”	the master processing agreement dated 17 January 2007 and entered into between VSI (Zhuhai) and Zhongshan Kejie in relation to the Continuing Connected Transactions
“Zhongshan Kejie”	Zhongshan Kejie Non-Metal Material Co., Ltd, (中山科杰非金屬材料有限公司), a wholly-foreign owned enterprise established in the PRC
“%”	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

##### ***Non-executive Director:***

Mr. Gan Tiong Sia

##### ***Independent non-executive Directors:***

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

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

Zhuhai, the PRC 17 January 2007

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

*HK\$1.00 = RMB1.01*

*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.