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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

The Directors is pleased to announce that the Transfer Agreement and the JV Contract were entered into by VS Holding on 20 February 2006.

Under the JV Contract, VS Holding, VNT and B&E agreed with each other for the cooperation and joint investment in VS Vietnam for the manufacture and sales of plastic moulded products and parts.

The JV Charter was also entered into between VS Holding, VNT and B&E on 20 February 2006 to reflect the new joint investment arrangement in VS Vietnam.

As part of the transactions giving effect to the JV Contract, a Capital Restructuring in VS Vietnam will be carried out pursuant to which (a) the investment capital of VS Vietnam and the Legal Capital will increase to US\$9,000,000 (equivalent to approximately HK\$70,200,000) and US\$4,756,500 (equivalent to approximately HK\$37,100,700) respectively, as a result of which the shareholding between VNT and Mr Beh will become 9.5% and 90.5% respectively; and (b) Mr Beh will transfer to B&E and VS Holding respectively the B&E Capital and the VS Capital pursuant to the Transfer Agreement.

Upon completion of the Capital Restructuring, the Legal Capital will be held as to approximately 71.7% by B&E, as to approximately 18.8% by VS Holding and as to approximately 9.5% by VNT.

As an associate of Mr Beh Kim Ling, an executive Director and the chairman of the Company, under Rule 14A.11(4)(b) of the Listing Rules, Mr Beh is a connected person of the Company. Therefore, the entering into of (i) the Transfer Agreement by VS Holding with, among others, Mr Beh and (ii) the JV Contract and the JV Charter by VS Holding with, among others, B&E, which is a company wholly-owned by Mr Beh, constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

As the purchase price for the VS Capital and the amount of Legal Capital to be contributed by VS Holding in VS Vietnam is less than HK\$10,000,000 and the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) were more than 2.5% but less than 25%, the transactions as contemplated under the Transfer Agreement, the JV Contract and the JV Charter are subject to the reporting and announcement requirements pursuant to Rule 14A.34(2) of Chapter 14A of the Listing Rules.

#### JV CONTRACT

**Date:** 20 February 2006

**Parties:** VNT, as Party A to the JV Contract

B&E, as Party B to the JV Contract

VS Holding, as Party C to the JV Contract

To the Directors' best knowledge, information and belief having made all reasonable enquiry, VNT and its beneficial owners are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. 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 Beh, the brother of Mr Beh Kim Ling who is an executive Director. VS Holding is a wholly-owned subsidiary of the Company.

Under the JV Contract, VS Holding, VNT and B&E have agreed with each other for the cooperation and joint investment in VS Vietnam for the manufacture and sales of plastic moulded products and parts.

The JV Charter was also entered into between VS Holding, VNT and B&E on 20 February 2006 to reflect the new joint investment arrangement in VS Vietnam.

#### CAPITAL RESTRUCTURING OF VS VIETNAM

As at the date of this announcement and immediately prior to the completion of a capital restructuring in VS Vietnam as set out below ("**Capital Restructuring**"), the equity interest in VS Vietnam is held as to 10% by VNT and as to 90% by Mr Beh.

As part of the transactions giving effect to the JV Contract, the Capital Restructuring will be carried out pursuant to which:

- (i) the investment capital of VS Vietnam will increase from US\$7,500,000 (equivalent to approximately HK\$58,500,000) to US\$9,000,000 (equivalent to approximately HK\$70,200,000);
- (ii) the legal capital of VS Vietnam ("**Legal Capital**") will increase from US\$2,500,000 (equivalent to approximately HK\$19,500,000) to US\$4,756,500 (equivalent to approximately HK\$37,100,700), as a result of which the shareholding between VNT and Mr Beh will become 9.5% and 90.5% respectively; and

- (iii) Mr Beh will transfer to B&E and VS Holding the B&E Capital and the VS Capital respectively pursuant to the Transfer Agreement.

The Capital Restructuring is subject to approval by the relevant government authority in Vietnam and shall only be effective upon issuance of an amended investment license of VS Vietnam by such relevant government authority.

## TRANSFER AGREEMENT

**Date:** 20 February 2006

**Parties:** Mr Beh, as transferor

B&E, as transferee of the B&E Capital

VS Holding, as transferee of the VS Capital

As part of the Capital Restructuring, the Transfer Agreement was signed pursuant to which Mr Beh agreed to sell, and each of B&E and VS Holding agreed to purchase, the B&E Capital and the VS Capital respectively.

Upon completion of the Transfer Agreement, the Legal Capital will be held as to approximately 71.7% by B&E, as to approximately 18.8% by VS Holding and as to approximately 9.5% by VNT.

### Consideration

The purchase price payable to Mr Beh by VS Holding for the purchase of the VS Capital is a nominal consideration of US\$1, as such Legal Capital has not been injected into VS Vietnam by Mr Beh in whole or in part. The purchase price for the VS Capital was determined after arm's length negotiations among the parties.

The purchase price of US\$1 is payable to Mr Beh in cash by VS Holding within three months after the date on which approval for the transfer is obtained from the relevant government authorities in Vietnam.

By entering into the Transfer Agreement, VS Holding has agreed to assume all the obligations, rights and benefits in relation to the VS Capital.

## JOINT VENTURE ARRANGEMENT

### Contribution of Legal Capital

Pursuant to the JV Contract, the total investment capital of VS Vietnam is US\$9,000,000 (equivalent to approximately HK\$70,200,000) and the Legal Capital is US\$4,756,500 (equivalent to approximately HK\$37,100,700). The Legal Capital shall be contributed in the following manner by VNT, B&E and VS Holding:

- (i) as to US\$450,000 (equivalent to approximately HK\$3,510,000), representing approximately 9.5% of the initial Legal Capital, by VNT in cash or by way of machinery and assets;
- (ii) as to US\$3,411,000 (equivalent to approximately HK\$26,605,800), representing approximately 71.7% of the initial Legal Capital, by B&E in cash or by way of machinery and equipment; and
- (iii) as to US\$895,500 (equivalent to approximately HK\$6,984,900), representing approximately 18.8% of the initial Legal Capital, by VS Holding in cash.

The legal advisers to the Company as to Vietnamese laws have confirmed that the parties to the JV Contract have no obligation to contribute in excess of the initial Legal Capital as set out above. VS Holding's total commitment to VS Vietnam is therefore US\$895,500 (equivalent to approximately HK\$6,984,900), representing approximately 18.8% of the initial Legal Capital.

VS Holding has confirmed that it has no intention to increase its investment in VS Vietnam in excess of US\$895,500 in the short term. Subject to the final audit by the auditors, the Group's interest in VS Vietnam will be recorded as an investment in the consolidated financial statements of the Group.

### Increase in Legal Capital

Pursuant to the JV Contract, VS Holding, VNT and B&E have agreed that, in the event of an increase of the Legal Capital up to US\$9,000,000, representing the amount of total investment capital of VS Vietnam, the amount of additional Legal Capital to be contributed by each of them shall be such amount as agreed between them, provided always that the aggregate amount of Legal Capital contributed by each of them shall not exceed the amount set opposite their respective name below:

	<b>Upper limit of the aggregate amount of Legal Capital to be contributed</b>	<b>Approximate percentage in the enlarged Legal Capital</b>
VNT	US\$495,000	5.5%
B&E	US\$4,950,000	55.0%
VS Holding	US\$3,555,000	39.5%
	<hr/> <b>US\$9,000,000</b> <hr/>	<hr/> <b>100.0%</b> <hr/>

### Administration of VS Vietnam

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

### Sharing of profit

According to the JV Contract, the profit of VS Vietnam will be shared by the parties thereto in the form of dividends based on the shareholding ratio between the parties.

### Duties and responsibilities of the parties

According to the JV Charter, the parties shall, among other obligations, contribute their stipulated Legal Capital according to the schedule as set out in the JV Contract, the JV Charter and the resolutions of the management board, to participate in the management of VS Vietnam, and to provide VS Vietnam with necessary information for its effective activities.

## Term

The JV Contract shall come into effect from the date when the relevant government authority grants its official approval to the JV Contract and issues a new investment license to VS Vietnam.

Subject to the approval of the relevant government authority in Vietnam, the term of VS Vietnam will be 49 years from the date of the grant of the first investment license of VS Vietnam, unless being early terminated in accordance with the terms of the JV Contract.

## TERRITORIAL AGREEMENT

Under the Territorial Agreement, the Company has irrevocably and unconditionally undertaken to VS Berhad that, for so long as VS Berhad holds directly or indirectly 30% or more of the voting power at general meetings of the Company from time to time or is otherwise regarded as a controlling shareholder (as defined under the Listing Rules) of the Company, the Company shall not, and shall procure that members of the Group will not, whether directly or indirectly, among other matters, carry on, engage or otherwise be involved in the Restricted Business in the Berhad Territories.

Pursuant to the Territorial Agreement, the Group has obtained the written consent from VS Berhad for VS Holding's investment in VS Vietnam as contemplated under the JV Contract.

## REASONS FOR THE TRANSACTIONS

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

The value of the total assets of VS Vietnam as recorded in its management account as at 31 January 2006 was approximately US\$356,500 (equivalent to approximately HK\$2,780,700), representing the aggregate value of the land use rights owned by VS Vietnam and rental deposit paid to the lessor for the construction of factory premises of VS Vietnam. VS Vietnam has not commenced any commercial operation as at the date of this announcement and therefore does not record any revenue or profit since its incorporation.

The Directors consider that the entering into of the Transfer Agreement and the JV Contract is consistent with the Group's strategy to continue strengthening its core business in plastic injection. Participation in this joint venture marked a strategic move of the Group to become a market player in Vietnam plastic injection industry.

## GENERAL

As an associate of Mr Beh Kim Ling, an executive Director and the chairman of the Company, under Rule 14A.11(4)(b) of the Listing Rules, Mr Beh is a connected person of the Company. Therefore, the entering into of (i) the Transfer Agreement by VS Holding with, among others, Mr Beh and (ii) the JV Contract and the JV Charter by VS Holding with, among others, B&E, which is a company wholly-owned by Mr Beh, constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

As the purchase price for the VS Capital and the amount of Legal Capital to be contributed by VS Holding in VS Vietnam is less than HK\$10,000,000 and the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) were more than 2.5% but less than 25%, the transactions as contemplated under the Transfer Agreement, the JV Contract and the JV Charter are subject to the reporting and announcement requirements pursuant to Rule 14A.34(2) of Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the Transfer Agreement, the JV Contract and the JV Charter were agreed on an arm's length basis and are normal commercial terms that are fair and reasonable. The Directors (including the independent non-executive Directors) also consider that the entering into of the Transfer Agreement, the JV Contract and the JV Charter is in the interest of the Company and the Shareholders as a whole.

## DEFINITIONS

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

"associate"	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 Beh
"B&E Capital"	an amount of US\$3,411,000 (including the amount of US\$356,500 in the Legal Capital which has been paid up by Mr Beh) in the legal capital of VS Vietnam beneficially owned by Mr Beh after the increase of VS Vietnam's legal capital to US\$4,756,500 (equivalent to HK\$37,100,700) but before the completion of the Transfer Agreement, representing approximately 71.7% of the then existing legal capital of VS Vietnam
"Berhad Territories"	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
"Company"	V.S. International Group Limited (威鋸國際集團有限公司), 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
"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 PRC
"JV Charter"	the joint venture charter dated 20 February 2006 and entered into between VNT, B&E and VS Holding in relation to VS Vietnam
"JV Contract"	the joint venture contract dated 20 February 2006 and entered into between VNT, B&E and VS Holding for the cooperation and joint investment in VS Vietnam for the manufacture and sales of plastic moulded products and parts
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr Beh"	Mr Beh Kim Siea, the brother of Mr Beh Kim Ling who is an executive Director and the Chairman of the Company
"PRC"	the People's Republic of China
"Restricted Business"	the business of the production and sales of plastic moulded products and parts, assembling of electronic products and mould design and fabrication or any of them

“Shareholders”	shareholders of the Company
“Transfer Agreement”	the transfer of legal capital agreement dated 20 February 2006 and entered into between Mr Beh as transferor and each of B&E and VS Holding as transferees of the B&E Capital and the VS Capital respectively, the details of which are set out under the section headed “Transfer Agreement” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Territorial Agreement”	the territorial agreement dated 20 January 2002 entered into between VS Berhad and the Company
“US\$”	Dollars of the United States of America, the lawful currency of the United States of America
“Vietnam”	the Socialist Republic of Vietnam
“VS Berhad”	V.S. Industry Berhad, a company incorporated in Malaysia and the substantial shareholder of the Company
“VS Capital”	an amount of US\$895,500 in the legal capital of VS Vietnam beneficially owned by Mr Beh after the increase of the Legal Capital to US\$4,756,500 (equivalent to HK\$37,100,700) but before the completion of the Transfer Agreement, representing approximately 18.8% of the then existing legal capital of VS 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 Ltd., a joint venture company set up under the Foreign Investment Law of Vietnam which was owned as to 10% by VNT and as to 90% by Mr Beh immediately prior to completion of the Capital Restructuring
“VNT”	VNT Company Limited, a company incorporated under the laws 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, 21 February 2006

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