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V.S. International Group Limited

威鉞國際集團有限公司

(incorporated in the Cayman Islands with limited liability)
(stock code: 1002)

CONTINUING CONNECTED TRANSACTIONS CONCERNING SALE OF MOULDS AND PLASTIC MOULDED PRODUCTS AND PARTS AND EXCEPTIONAL MOVEMENT IN SHARE PRICE

The Board announces that VSIL (for itself and on behalf of the other members of the VSIL Group), which is a wholly-owned subsidiary of the Company, and VS Berhad (for itself and on behalf of the other members of the VS Berhad Group), which is a substantial shareholder of the Company, have entered into the Master Supply Agreement dated 28 December 2005. Pursuant to the Master Supply Agreement, the VSIL Group has agreed to sell, and the VS Berhad Group has agreed to purchase moulds designed and fabricated by the VSIL Group and certain plastic moulded products and parts manufactured by the VSIL Group during the term of the Master Supply Agreement. The actual amount, specification and price of moulds and plastic moulded products and parts to be supplied under the Master Supply Agreement will be subject to individual orders placed by the VS Berhad Group with the VSIL Group.

Given that VS Berhad is a substantial shareholder of the Company, the supply of moulds and plastic moulded products and parts under the Master Supply Agreement constitutes Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules which are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

The Company has noted the increase in today's trading price of its shares and wishes to announce that save for the Continuing Connected Transactions, the particulars of which are given below, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither are the Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Shareholders and potential investors of the Company are strongly advised to exercise extreme caution when dealing in the shares of the Company.

CONTINUING CONNECTED TRANSACTIONS

The Board announces that VSIIL (for itself and on behalf of the other members of the VSIL Group), which is a wholly-owned subsidiary of the Company, and VS Berhad (for itself and on behalf of the other members of the VS Berhad Group), which is a substantial shareholder of the Company, have entered into the Master Supply Agreement.

MASTER SUPPLY AGREEMENT

Date

28 December 2005

Parties

- (i) VSIIL (for itself and on behalf of the other members of the VSIL Group); and
- (ii) VS Berhad (for itself and on behalf of the other members of the VS Berhad Group).

Supply of moulds and plastic moulded products and parts

Pursuant to the Master Supply Agreement, the VSIL Group has agreed to sell, and the VS Berhad Group has agreed to purchase, moulds designed and fabricated by the VSIL Group and certain plastic moulded products and parts manufactured by the VSIL Group during the term of the Master Supply Agreement. The actual amount, specification and price of moulds and plastic moulded products and parts to be supplied under the Master Supply Agreement will be subject to individual orders placed by the VS Berhad Group with the VSIL Group.

The VSIL Group and the VS Berhad Group have acknowledged under the Master Supply Agreement that:

- (a) the supply of moulds and plastic moulded products and parts under the Master Supply Agreement will be on normal commercial terms and the prices payable by the VS Berhad Group for the moulds and plastic moulded products and parts will be agreed between the parties by reference to the prevailing market prices of moulds and plastic moulded products and parts at the relevant time; and
- (b) the VSIL Group shall not be obliged to accept any order from the VS Berhad Group for moulds and plastic moulded products and parts on terms and conditions that are less favourable to the VSIL Group than those agreed between the VSIL Group and its other customers that are Independent Third Parties.

The payment terms for moulds and plastic moulded products and parts will be contained in the purchase order for each order to be placed under the Master Supply Agreement.

Accordingly to current practice:

- (a) for moulds, an upfront payment of not more than 50% of the purchase price is required while the balance is to be settled upon delivery of the completed moulds;
- (b) for plastic moulded products and parts, a credit term of 30 days after the delivery of the products is granted; and
- (c) for moulds and plastic moulded products and parts, the purchase price is settled by telegraphic transfer.

Term

From 28 December 2005 to 31 July 2008

Caps for the Continuing Connected Transactions

The following table sets out the sales amounts of moulds and of plastic moulded products and parts from the VSIIIL Group to the VS Berhad Group during each of the three financial years ended 31 July 2005:

	Year ended 31 July		
	2003	2004	2005
Moulds	HK\$3,302,000	HK\$3,066,000	HK\$799,000
Plastic moulded products and parts	HK\$267,000	HK\$129,000	HK\$547,000
Total:	HK\$3,569,000	HK\$3,195,000	HK\$1,346,000

The following table sets out the expected capped amounts of sales of moulds and of plastic moulded products and parts from the VSIIIL Group to the VS Berhad Group for each of the three financial years ending 31 July 2008:

	Year ending 31 July		
	2006	2007	2008
Moulds	HK\$6,500,000	HK\$6,000,000	HK\$5,500,000
Plastic moulded products and parts	HK\$500,000	HK\$500,000	HK\$500,000
Total:	HK\$7,000,000	HK\$6,500,000	HK\$6,000,000

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

- (a) Since 2000 the VS Berhad Group has sub-contracted to the VSIIIL Group the production of certain new models of moulds secured by the VS Berhad Group from its customers. To the best knowledge of the Directors, the VS Berhad Group has no intention to increase its capacity of the production of moulds in the short run and it is expected that orders for the production of moulds placed by the VS Berhad Group will remain fairly constant in the next three years. However the VSIIIL Group may not be able to accept all orders from the VS Berhad Group since the orders from its other customers are expected to increase over time. Therefore, sales of moulds from the VSIIIL Group to the VS Berhad Group will reduce gradually from year to year.

- (b) The supply of plastic moulded products by the VSIIL Group to the VS Berhad Group is expected to be minimal during the three years ending 31 July 2008 when compared with the sales amount of moulds.
- (c) Based on the most updated records, the VSIIL Group has received purchase orders for moulds of approximately HK\$2.1 million from the VS Berhad Group since August 2005. More orders are expected to be secured from the VS Berhad Group during the rest of the present financial year.
- (d) The Company anticipates that mould orders to be placed by the VS Berhad Group with the VSIIL Group during the rest of the present financial year and the two financial years ending 31 July 2008 will be for big moulds which may price about US\$100,000 or above per piece.

Although purchase orders of about HK\$2.1 million (as mentioned in paragraph (c) above) have been received from the VS Berhad Group since August 2005, any sales of moulds are not recognised and recorded in the accounts of the relevant members of the VSIIL Group until invoices are issued upon delivery of the moulds, for it takes about three to four months to finish a mould on average. Further, the VSIIL Group is not obliged to accept, and undertake the production of moulds under, such purchase orders and the VSIIL Group has the right to refuse any such orders. Whether the VSIIL Group will accept any of the purchase orders depends on various factors, including whether the VSIIL Group has the production capacity to accommodate such orders.

Reasons for the Continuing Connection Transactions

VSIIL is an investment holding company wholly owned by the Company. The VSIIL Group is principally engaged in the production and sales of plastic moulded components and parts, assembling of electronic products and mould design and fabrication. The VS Berhad Group is principally involved in the manufacturing, assembling and sale of electronic and plastic moulded products, components and parts. The VSIIL Group has been selling moulds designed and fabricated, and plastic moulded products and parts manufactured, by the VSIIL Group to the VS Berhad Group since 2000. The supply of moulds and plastic moulded products and parts by the VSIIL Group to the VS Berhad Group will, under the Continuing Connected Transactions, continue to be conducted in the ordinary and usual course of business of the Group.

In December 2002, the Company was granted by the Stock Exchange a waiver from the strict compliance with the requirements to publish further press announcements as stipulated in the then subsisting Chapter 14 of the Listing Rules in connection with the supply of moulds to the VS Berhad Group. Such waiver expired on 31 July 2005.

The Directors (including the independent non-executive Directors) consider that

- (a) the terms and conditions of Master Supply 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 capped amounts of sales of moulds and of plastic moulded products and parts for the three financial years ending 31 July 2008 as referred to above are fair and reasonable; and

- (c) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole.

Given that VS Berhad is a substantial shareholder of the Company, the supply of moulds and plastic moulded products and parts under the Master Supply Agreement constitutes Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules which are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

EXCEPTIONAL MOVEMENT IN SHARE PRICE

The Company has noted the increase in today's trading price of its shares and wishes to announce that save for the Continuing Connected Transactions, the particulars of which are given above, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither are the Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the board of the Company, the Directors of which individually and jointly accept responsibility for the accuracy of the above statement.

Shareholders and potential investors of the Company are strongly advised to exercise extreme caution when dealing in the shares of the Company.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	V.S. International Group Limited 威鉞國際集團有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the connected transactions entered into between the VSIIIL Group and the VS Berhad Group pursuant to the Master Supply Agreement in relation to the supply of moulds designed and fabricated, and plastic moulded products and parts manufactured, by the VSIIIL Group to the VS Berhad Group
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Parties”	parties who (i) are not connected persons of the Company and (ii) are independent of and not connected with the Company and any of the directors, chief executive and substantial shareholders of the Company or of any of its subsidiaries, or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master sale and purchase agreement entered into between VSIL (for itself and on behalf of the other members of the VSIL Group) and VS Berhad (for itself and on behalf of the other members of the VS Berhad Group) in relation to the Continuing Connected Transactions
“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
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“VS Berhad”	V.S. Industry Berhad, a company incorporated under the laws of Malaysia whose shares are listed on the Bursa of Malaysia and a substantial shareholder of the Company
“VS Berhad Group”	collectively, VS Berhad and its subsidiaries and associated companies (excluding any member of the Group) from time to time
“VSIL”	V.S. International Industry Limited, a company duly incorporated under the laws of British Virgin Island and a wholly-owned subsidiary of the Company
“VSIL Group”	collectively, VSIL and its subsidiaries from time to time

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 Paw
 Mr Cheung Kwan Hung, Anthony
 Mr Tang Sim Cheow

Non-executive Director:

Mr Gan Tiong Sia

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

Zhuhai, the PRC, 29 December 2005

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