
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in V. S. International Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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)

**DISCLOSEABLE TRANSACTIONS:
JOINT VENTURE AGREEMENT**

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
– Introduction	3
– The Joint Venture Agreement	4
– The Cooperations	5
– Duration and conditions of the Joint Venture Agreement	6
– Reasons for the Joint Venture Agreement	7
– General	7
Appendix – General Information	8

DEFINITIONS

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

“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
“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
“Joint Venture Agreement”	the conditional joint venture agreement dated 8 September 2004 and entered into between VSII, VS Zhuhai and Wako for the cooperation and joint investment in the PRC for the manufacture of, among other things, the Products and the establishment of JVC and PRC JV
“JVC”	Wako VS Nano Technologies (Hong Kong) Co., Ltd.和宏住商威士茂納米科技(香港)有限公司, a company incorporated under the laws of Hong Kong by VSII and Wako pursuant to the Joint Venture Agreement
“JVC Group”	JVC and PRC JV
“Latest Practicable Date”	6 October 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Lease Agreement”	the lease agreement entered into between VS Zhuhai as landlord and PRC JV (JVC, Wako and VS Zhuhai signing for and on behalf of PRC JV in their capacity as its investors) as tenant for the leasing by VS Zhuhai to PRC JV of factory premises in Zhuhai to house its processing plant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC JV”	和宏住商威士茂納米科技(珠海)有限公司 Wako VS Nano Technologies (Zhuhai) Co., Ltd., an equity joint venture enterprise to be set up in Zhuhai, the PRC by JVC, Wako and VS Zhuhai
“PRC JV Agreement”	the joint venture contract entered into between JVC, Wako and VS Zhuhai for the establishment of PRC JV
“Products”	plastic parts and components for electronic products using spray painting technology

DEFINITIONS

“SF Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	shares of US\$1 each in the share capital of JVC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Licence and Assistance Agreement”	the technical licence and assistance agreement entered into between Wako as licensor and PRC JV (JVC, Wako and VS Zhuhai signing for and on behalf of PRC JV in their capacity as its investors) as licensee for the provision by Wako to PRC JV of such technologies and technical know-how for the manufacturing of the Products, and such other technological support and assistance in connection therewith
“US\$”	dollars of the United States of America, the lawful currency of the United States of America
“VSII”	V.S. International Industry Limited 威鉞國際工業有限公司, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of the Company
“VS Zhuhai”	威士茂科技工業園(珠海)有限公司 V.S. Technology Industry Park (Zhuhai) Co., Ltd., a wholly foreign-owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Wako”	Wako (Hong Kong) Co., Limited, a company incorporated in Hong Kong and owned as to 99.99% by Wako Co., Ltd. and 0.01% by a director of Wako Co., Ltd.
“%”	per cent.

LETTER FROM THE BOARD



V.S. INTERNATIONAL GROUP LIMITED

威鉞國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

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

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

***Head office and principal place of
business in Hong Kong:***

4106, 41st Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

To the Shareholders

7 October 2004

Dear Sir/Madam

**DISCLOSEABLE TRANSACTIONS:
JOINT VENTURE AGREEMENT**

INTRODUCTION

By an announcement dated 15 September 2004, the Company announced that on 8 September 2004 VSII and VS Zhuhai, wholly owned subsidiaries of the Company, entered into the conditional Joint Venture Agreement with Wako for the cooperation and joint investment in the PRC to set up processing facilities for the manufacture of the Products in the PRC.

The establishment of the JVC Group and the procurement of machinery and equipment by PRC JV from VS Zhuhai pursuant to the Joint Venture Agreement constituted discloseable transactions for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information relating to the establishment of the JVC Group and the procurement of machinery and equipment by PRC JV from VS Zhuhai pursuant to the Joint Venture Agreement and other information of the Group.

LETTER FROM THE BOARD

THE JOINT VENTURE AGREEMENT

Date

8 September 2004

Parties

- (i) VSII, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of the Company
- (ii) VS Zhuhai, a wholly foreign-owned enterprise established in the PRC and a wholly owned subsidiary of the Company
- (iii) Wako, a company incorporated in Hong Kong

The Directors have confirmed that, to their best knowledge, information and belief having made all reasonable enquiry, each of Wako and its ultimate beneficial owners is independent of and not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates, and is therefore not a connected person (as defined under the Listing Rules) of the Group.

The establishment of the JVC Group

Under the Joint Venture Agreement, VSII and VS Zhuhai, wholly owned subsidiaries of the Company, agreed with Wako for the cooperation and joint investment in the PRC to set up production facilities for the manufacture of the Products in the PRC through their proposed joint investment in JVC, and JVC's investment in PRC JV. PRC JV will be the main operating company of the JVC Group, and JVC is principally for investment holding purpose and would, if required, receive orders from customers.

Pursuant to the Joint Venture Agreement, VSII and Wako shall as soon as practicable after the signing of the Joint Venture Agreement incorporate or set up JVC and subscribe for 189 and 811 Shares respectively for cash at par. At completion of the Joint Venture Agreement, VSII and Wako shall further subscribe for 491,211 and 2,107,789 Shares respectively, after which the entire issued share capital of JVC will be beneficially owned as to 18.9% by VSII and 81.1% by Wako.

The Joint Venture Agreement provides that as soon as practicable after its signing by the parties, JVC, Wako and VS Zhuhai shall enter into the PRC JV Agreement for the establishment of PRC JV and the total investment and the registered capital of PRC JV will be US\$5,000,000 (equivalent to approximately HK\$38,950,000) and US\$3,900,000 (equivalent to approximately HK\$30,381,000) respectively. The registered capital of PRC JV shall be contributed as to US\$2,500,000 (equivalent to approximately HK\$19,475,000) (64.1%) by JVC in cash, US\$30,000 (equivalent to approximately HK\$233,700) (0.8%) by Wako in cash and US\$1,370,000 (equivalent to approximately HK\$10,672,300) (35.1%) by VS Zhuhai by way of machinery and equipment. Under the Joint Venture Agreement and the PRC JV Agreement, there is no provision stipulating the amount of contribution by the investors of PRC JV towards the balance of US\$1,100,000 (equivalent to approximately HK\$8,569,000) between the total investment and the registered capital of PRC JV. The Company will comply with the relevant requirements of the Listing Rules (where required) if the investment by the Group in the JVC or PRC JV increases.

The capital contribution of the Group in the JVC Group will not have any effect on the Group's earnings and net assets. The Group's total investment in the JVC Group will be funded out of internal resources of the Group.

LETTER FROM THE BOARD

Composition of the boards of directors of JVC and PRC JV

The board of directors of JVC will consist of five directors, three of whom are to be nominated for appointment by Wako and two by VSII. One of the directors nominated by Wako shall be its chairman. As to the board of directors of PRC JV, it will comprise three directors, one director to be nominated by each of Wako, JVC and VS Zhuhai. The director nominated by JVC shall be the chairman of the board of directors of PRC JV.

Profits

The profits that may be distributed by JVC and PRC JV will be distributed to their shareholders according to their respective shareholdings in JVC and PRC JV.

Completion

The Joint Venture Agreement is conditional upon the satisfaction of the conditions set out in the section headed “Duration and Conditions of the Joint Venture Agreement” below. As completion of the Joint Venture Agreement is conditional and may not materialise, due caution and care should be exercised when dealing in the shares of the Company.

THE COOPERATIONS

Technical supports

Under the Joint Venture Agreement, immediately after the setting up of JVC, Wako as licensor and PRC JV (JVC, Wako and VS Zhuhai signing for and on behalf of PRC JV in their capacity as its investors) as licensee shall enter into the Technical Licence and Assistance Agreement. Pursuant to the Technical Licence and Assistance Agreement, Wako has agreed to provide PRC JV with such technologies and technical knowhow for the manufacturing of the Products, and such other technological support and assistance in connection therewith. Immediately upon the establishment of PRC JV, its board of directors shall resolve (i) to assume all the rights, obligations and liabilities under the Technical Licence and Assistance Agreement and (ii) to authorise its legal representative to execute a formal version of the Technical Licence and Assistance Agreement with Wako.

Lease arrangement

Under the Joint Venture Agreement, immediately after the setting up of JVC, VS Zhuhai as landlord and PRC JV (JVC, Wako and VS Zhuhai signing for and on behalf of PRC JV in their capacity as its investors) as tenant shall enter into the Lease Agreement. Pursuant to the Lease Agreement, VS Zhuhai has agreed to lease factory premises in Zhuhai to PRC JV to house its processing plant at a monthly rental of US\$9,420 (equivalent to approximately HK\$73,382). Immediately upon the establishment of PRC JV, its board of directors shall resolve (i) to assume all the rights, obligations and liabilities under the Lease Agreement and (ii) to authorise its legal representative to execute a formal version of the Lease Agreement with VS Zhuhai.

Procurement of machinery and equipment

Under the Joint Venture Agreement, VS Zhuhai shall transfer or procure to be transferred to PRC JV certain machinery and equipment (spray painting production lines and power supply system) at a consideration (presently estimated to be around US\$2,000,000 (equivalent to approximately HK\$15,580,000)) to be agreed between VS Zhuhai and PRC JV; such amount to be

LETTER FROM THE BOARD

regarded as a trade debt owed by PRC JV to VS Zhuhai and repayable to VS Zhuhai by PRC JV in the following manner:

- (i) not less than one third (1/3) repayable within one month from the date of establishment of PRC JV;
- (ii) not less than another one third (1/3) repayable within six months from the date of establishment of PRC JV; and
- (iii) the remaining outstanding amount repayable within nine months from the date of establishment of PRC JV.

It is expected that a book gain of approximately HK\$5,275,000 will be recorded by VS Zhuhai from the above transfer of machinery and equipment and VS Zhuhai intends to use the proceeds to be generated from the transfer as its general working capital.

Following the above transfer, the Group's earnings and net assets will increase by the same amount as book gain of disposal.

Consultation services

Pursuant to the Joint Venture Agreement, VSII and/or VS Zhuhai shall provide to PRC JV general consultation services regarding accounting, customs, tax and human resources matters at a monthly fee of US\$10,000 (equivalent to approximately HK\$77,900) for the first six (6) months after the establishment of PRC JV. After the initial six months, Wako, VSII and VS Zhuhai shall review the need for consultation services and decide on a new basis and contents thereof, if necessary.

DURATION AND CONDITIONS OF THE JOINT VENTURE AGREEMENT

The Joint Venture Agreement took effect from the date of signing and shall, unless terminated in accordance with its terms, be valid for a period of 10 years or until completion of liquidation of JVC, whichever is earlier.

Completion of the Joint Venture Agreement is conditional upon:

- (a) the incorporation or, as the case may be, the setting up of JVC and the initial subscription of 189 and 811 Shares by VSII and Wako respectively;
- (b) (if required) all approvals, consents and acts required under the Listing Rules in connection with the setting up of the JVC Group under the Joint Venture Agreement being obtained, fulfilled or completed or, as the case may be, being waived by the Stock Exchange; and
- (c) the establishment of PRC JV in accordance with the PRC JV Agreement and the issuance of the business licence for PRC JV in accordance with the relevant laws and regulations of the PRC and local Zhuhai authorities and for this purpose, the date of issue of the business license of PRC JV shall be deemed to be the date of establishment of PRC JV.

Each of VSII and Wako shall use its reasonable endeavours to secure the satisfaction of the conditions above within six months from the date of the Joint Venture Agreement, failing which the Joint Venture Agreement shall automatically terminate, unless the parties agree otherwise. If the Joint Venture Agreement so terminates, within ten (10) days from the termination of the Joint Venture Agreement, VSII shall transfer all the Shares held by it at par to Wako and any director(s)

LETTER FROM THE BOARD

of JVC appointed by VSII shall resign as such director(s) and in the event PRC JV shall have been formed, VS Zhuhai shall transfer all its interest in the registered capital of PRC JV to Wako and any director(s) of PRC JV appointed by VS Zhuhai shall resign as such director(s).

REASONS FOR THE JOINT VENTURE AGREEMENT

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

Wako is a subsidiary of Wako Co., Ltd. which is one of the major operators and developers in Japan of spray painting technology and has extensive experience in the spray painting of plastic parts and other components for the manufacture of electronic products using its special know-how and expertise in the spray painting technology.

The Directors expect that, with strong technological support from Wako, the JVC Group will generate considerable investment return for the Group in the medium term. The JVC Group will also solidify the integrated manufacturing solutions provided to the customers and enhance the competitiveness of the Group as a whole.

The Directors are of the view that the terms of the Joint Venture Agreement are fair and reasonable and the entering into of the Joint Venture Agreement by the Group is in the interests of the Company and its shareholders as a whole.

GENERAL

Given that VSII shall contribute US\$491,400 (equivalent to approximately HK\$3,828,006) to JVC by way of subscription of a total of 491,400 Shares and VS Zhuhai shall contribute US\$1,370,000 (equivalent to approximately HK\$10,672,300) towards the registered capital of PRC JV, the Group's total investment in the JVC Group will amount to approximately US\$1,861,400 (equivalent to approximately HK\$14,500,306). Since the total investment of the Group in the JVC Group represents approximately 9.7% of the market capitalisation (amounting to approximately HK\$148.9 million) of the Company as at the date of the Joint Venture Agreement, the establishment of the JVC Group pursuant to the Joint Venture Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. Accordingly, the establishment of the JVC Group is subject to the relevant disclosure requirements under Rule 14.33 of the Listing Rules.

Further, the amount to be involved in the procurement of machinery and equipment by PRC JV from VS Zhuhai is currently estimated to be around US\$2,000,000 (equivalent to approximately HK\$15,580,000) which represents approximately 10.46% of the market capitalisation of the Company as at the date of the Joint Venture Agreement. Therefore, such procurement of machinery and equipment also constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. Accordingly, the procurement of machinery and equipment by PRC JV from VS Zhuhai is subject to the relevant disclosure requirements under Rule 14.33 of the Listing Rules. Should the procurement of machinery and equipment constitute a major transaction for the Company under Chapter 14 of the Listing Rules, the Company will comply with the necessary requirements of Chapter 14 of the Listing Rules.

Your attention is drawn to the 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

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. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SF Ordinance) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SF Ordinance) or which will be required pursuant to section 352 of the SF Ordinance to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	31,000,775 ordinary shares of HK\$0.05 each ("Listed Shares") (L)	3.78%
	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	3,600,000 ordinary shares of HK\$1 each (L) (Notes 3 and 6)	6.67%
Gan Sem Yam	The Company	Beneficial owner	31,000,775 Listed Shares (L)	3.78%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 4 and 6)	6.67%
Gan Chu Cheng	The Company	Beneficial owner	31,000,775 Listed Shares (L)	3.78%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
	VS Investment	Beneficial owner	3,600,000 ordinary shares of HK\$1 each (L) (Notes 5 and 6)	6.67%
Gan Tiong Sia	The Company	Beneficial owner	27,900,755 Listed Shares (L)	3.40%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%

Notes:

- 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.
- The letter “L” represents the Director’s interest in the share and underlying shares of the Company or its associated corporations.
- Mr. Beh Kim Ling’s interests in these shares comprise 5 shares registered under his name and the 3,599,995 outstanding options granted to him under the Option Deed (as defined below) as referred to in note 6 below.
- Mr. Gan Sem Yam’s interests in these shares comprise 5 shares registered under his name and the 3,599,995 outstanding options granted to him under the Option Deed (as defined below) as referred to in note 6 below.
- Madam Gan Chu Cheng’s interests in these shares comprise 5 shares registered under her name and the 3,599,995 outstanding options granted to her under the Option Deed (as defined below) as referred to in note 6 below.
- The following options were granted to the following Directors under an option deed (“Option Deed”) dated 20 January 2002 and entered into between, among others, VS Investment and them, which were, as at 31 July 2004, outstanding:

Name of Directors	Number of outstanding options
Beh Kim Ling	3,599,995
Gan Sem Yam	3,599,995
Gan Chu Cheng	3,599,995

These options are exercisable at any time during the period of 36 months from and including 8 February 2002 to 5:00 p.m. (Hong Kong time) on the last date of such 36 months period or, if that date is not a business day in Hong Kong, on the business day in Hong Kong immediately before that date.

- (b) Save as disclosed above, none of the Directors and chief executive of the Company had any interest and short positions in the share, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he/she was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to Section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SERVICE CONTRACTS

Each of Messrs Beh Kim Ling, Gan Sem Yam, Zhang Pei Yu and Madam Gan Chu Cheng has entered into a service contract with the Company, each of a term of three years commencing from 1 August 2001, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party to the other.

Save as disclosed above, as at the Latest Practicable Date, none of the Director had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DISCLOSABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SF ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

- (a) So far as is known to the Directors, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance:

Name	Number of Listed Shares held <i>(Note 1)</i>	Nature of interest/Capacity	Approximate percentage of interest
V.S. Industry Berhad ("VS Berhad")	371,996,900 (L)	Beneficial owner	45.37%
Atlantis Investment Management Ltd	51,676,000 (L)	Investment manager	6.30%
Value Partners Limited ("Value Partners")	48,928,000 (L)	Investment manager	5.97%
Cheah Cheng Hye	48,928,000 (L)	Interest of a controlled corporation <i>(Note 2)</i>	5.97%

Notes:

- The letter "L" represents the person's interest in the Listed Shares.
- These Listed Shares were registered in the name of and beneficially owned by Value Partners, 31.82% of the entire issued share capital of which is beneficially owned by Mr. Cheah Cheng Hye. Under the SF Ordinance, Mr. Cheah Cheng Hye is deemed to be interested in all the Listed Shares held by Value Partners.

- (b) So far as is known to the Directors, as at the Latest Practicable Date, the following entities were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of the subsidiaries of the Company:

Name of subsidiary	Name of shareholder	Number and class of shares	Approximate percentage of interest
VSA Holding Hong Kong Co., Limited ("VSA (HK)")	Andes Electric Co., Ltd. ("Andes")	2,964,000 ordinary shares of HK\$1 each	19%
VSA (HK)	Sumitronics Hong Kong Ltd. ("STX")	1,560,000 ordinary shares of HK\$1 each	10%

- (c) Andes and STX have been granted by VSII an option ("Call Option") to purchase such additional number of shares of HK\$1 each in the share capital of VSA (HK) which, together with all the shares already held by them, represent up to 49% of the entire issued share capital of VSA (HK) from VSII. The purchase price payable by the parties exercising such option shall be the higher of (i) HK\$1 or (ii) the net asset value of VSA (HK) as at the time of exercise of the Call Option as shown in its latest audited consolidated accounts which the shares to be purchased under the Call Option represent. There is no time limit for the exercise of the Call Option.
- (d) Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in the shares and underlying shares in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance, or was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

6. COMPETING INTERESTS

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, a company incorporated in Malaysia whose shares are listed on the main board of Bursa Malaysia. VS Berhad is currently engaged in producing electronic products, liquid crystal display products, remote control units, printed circuit boards, speaker boxes and other electronic appliances on OEM and ODM Basis. VS Berhad is also engaged in the production of plastic moulded products and electronic products and 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 has given to each other certain non-compete undertakings under a territorial delineation agreement dated 20 January 2002, 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 respective associates (as defined in the Listing Rules) had an interest in a business apart from the Group's business which competes or is likely to compete with the Group's business.

7. MISCELLANEOUS

- (a) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies. The principal place of business of the Company is 4106, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (b) The secretary of the Company is Mr Felix Ooi Theng Kau, who is a member of Institute of Chartered Accountants New Zealand, Malaysian Institute of Accountants and Hong Kong Institute of Certified Public Accountants. The qualified accountant of the Company is Mr Goh Thian Song, who is a fellow member of the Chartered Association of Certified Accountants in the United Kingdom.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.