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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: NEW LEASE AGREEMENT

The Directors announced that on 22 August 2014, VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai) (as tenants) entered into the New Lease Agreement with VS Management (as landlord) for leasing 19 blocks of residential buildings in the Premises for a term of three years commencing from 1 August 2014.

Each of VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai) is a wholly-owned subsidiary of the Company. As at the date of this announcement, the entire issued share capital of VS Management is owned by Mr. Beh Kim Ling, an executive Director. Accordingly, VS Management is an associate of Mr. Beh Kim Ling and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the tenancy arrangements as contemplated under the New Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the aggregate annual rent and management fee payable by the Tenants under the New Lease Agreement for each of the three financial years ending 31 July 2017 are expected to be more than 0.1% and less than 5%, the tenancy arrangements as contemplated under the New Lease Agreement for the three financial years ending 31 July 2017 are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

INTRODUCTION

As disclosed in the announcement of the Company dated 27 July 2012, VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai) (as tenants) entered into the Former Lease Agreement with VS Management (as landlord) respectively for leasing 20 residential buildings in the Former Premises for a term of two years commencing from 1 August 2012.

VS Management is, and was during the term of the Former Lease Agreement, a connected person of the Company under Chapter 14A of the Listing Rules. The continuing connected transactions as contemplated under the Former Lease Agreement were announced by the Company on 27 July 2012. The Former Lease Agreement expired on 31 July 2014.

On 22 August 2014, VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai) entered into the New Lease Agreement with VS Management for leasing 19 blocks of residential buildings in the Premises for a term of three years commencing from 1 August 2014.

THE NEW LEASE AGREEMENT

Date: 22 August 2014

Parties:

Tenants: (1) VS Zhuhai, a wholly-owned subsidiary of the Company;
(2) VSI (Zhuhai), a wholly-owned subsidiary of the Company; and
(3) VSA (Zhuhai), a wholly-owned subsidiary of the Company,
as tenants

Landlord: VS Management, a company wholly-owned by Mr. Beh Kim Ling, an executive Director, as landlord under the New Lease Agreement.

Leased Premises:

The Premises is a residential complex comprising 39 buildings and other facilities to be developed by VS Management. Up to the date of this announcement, 35 buildings out of the 39 buildings have been constructed.

Under the New Lease Agreement, it was agreed that VS Management would lease 19 residential buildings in the Premises to the Tenants during the term of the New Lease Agreement.

Term:

Three years commencing from 1 August 2014.

Use:

The Leased Premises will be used as the staff quarters for the Tenants and the Group. The Leased Premises shall not be leased to any other third party apart from the Group without the consent of the Tenants.

Rent and management fee:

Pursuant to the New Lease Agreement, each of the monthly rent and the monthly management fee per sq.m. is RMB19 (equivalent to approximately HK\$23.75) and RMB1.30 (equivalent to approximately HK\$1.63) respectively.

Under the New Lease Agreement, the aggregate monthly rent and management fee of RMB659,587 (equivalent to approximately HK\$824,484) is payable on the fifth day of each month during the tenancy period.

Pursuant to the New Lease Agreement, the Tenants shall have the right to request for an adjustment to the amount of unit rent and management fee payable for every twelve-month period following 1 August 2015, the adjustment to be made with reference to the fair market rent and management fee of comparable premises as determined by an independent property valuer at a date falling not earlier than two months from 1 August 2015.

EXPECTED CAP AMOUNT OF RENT AND MANAGEMENT FEE PAYABLE

As announced by the Company on 27 July 2012, the expected cap amount for the aggregate annual rent and management fee payable by the Tenants to VS Management was estimated to be approximately RMB7,930,290 (equivalent to approximately HK\$9,671,086 then) for each of the two financial years ended 31 July 2014.

Based on the information of the Company, the aggregate annual rent and management fee actually paid by the Tenants to VS Management were RMB7,930,290 (equivalent to approximately HK\$9,671,086 then) for each of the two years ended 31 July 2014 respectively.

The area of the Leased Premises is approximately 32,492 sq.m.. Based on the estimated availability of the Leased Premises and the unit rent and management fee per sq.m. of RMB19 and RMB1.30 per month respectively, the aggregate annual rent and management fee payable by the Tenants to VS Management is estimated to be approximately RMB7,915,044 (equivalent to approximately HK\$9,893,805) for each of the three financial years ending 31 July 2017. The annual expected cap amount of rent and management fee payable is RMB7,915,044 (equivalent to approximately HK\$9,893,805) for each of the three financial years ending 31 July 2017.

To the best knowledge of the Directors, the rent and management fee per sq.m. as agreed under the New Lease Agreement was determined after taking into account (i) the market rent of the Premises according to a valuation report issued by an independent property valuer, namely Asset Appraisal Limited; and (ii) various conditions of the Premises, including but not limited to the location and age of the buildings as well as the facilities and management services associated with the buildings. The valuation report assesses the market rent of the Premises, which represents the estimated amount for which an interest in the real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the lessor has completed all necessary approval procedures and obtained all relevant consents and permits for leasing of the Premises to the lessee for dormitory (industrial related) use.

The payment of rent and management fee will be funded by internal resources of the Group.

REASONS FOR THE TRANSACTIONS

The New Lease Agreement was entered into between the Tenants and VS Management after arm's length negotiations. The Group has been leasing certain residential buildings in the Former Premises from VS Management since early 2004. The Directors believe that the proximity of the Leased Premises to the production facilities of the Tenants not only gives the employees great convenience but also can help reduce the transportation costs incurred by the Group for arranging employees to come to work. In addition, the Directors consider that the Leased Premises can provide well-managed staff quarters for the Tenants.

The Directors also consider that by entering into the New Lease Agreement, the Group is able to cap the amount of rent and management fee payable, while allowing the flexibility to the Group to adjust the amount of rent and management fee payable in the event that the fair market rent and management fee as determined in accordance with the New Lease Agreement is different from the agreed amount under the New Lease Agreement.

The Directors (including the independent non-executive Directors) are of the opinion that:

- (i) the terms (including the rent and management fee) of the New Lease Agreement are on normal commercial terms that are fair and reasonable;
- (ii) the expected annual cap amounts of the rent and management fee payable by the Tenants under the New Lease Agreement for the three financial years ending 31 July 2017 are fair and reasonable; and
- (iii) the continuing connected transactions contemplated under the New Lease Agreement are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

GENERAL

The Group is principally engaged in the production and sales of plastic moulded components and parts, assembly of electronic products and mould design and fabrication. VS Zhuhai is a wholly-owned subsidiary of the Company and is principally engaged in the manufacturing and selling of plastic moulded products and electronic products, parts and components. VSI (Zhuhai) is a wholly-owned subsidiary of the Company and is principally engaged in the manufacturing and selling of plastic moulded products and parts. VSA (Zhuhai) is a wholly-owned subsidiary of the Company and is principally engaged in assembling and selling of plastic moulded products and electronics products, parts and components.

VS Management is principally engaged in property management activities. As at the date of this announcement, the entire issued share capital of VS Management was owned by Mr. Beh Kim Ling, an executive Director. Accordingly, VS Management is an associate of Mr. Beh Kim Ling and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules and the

tenancy arrangements as contemplated under the New Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As Mr. Beh Kim Ling, Madam Gan Chu Cheng, Mr. Gan Sem Yam and Mr. Gan Tiong Sia (being the spouse and the brothers-in-law of Mr. Beh Kim Ling respectively) had a material interest in the transactions contemplated under the New Lease Agreement, they have abstained from voting on the board resolution approving the New Lease Agreement and the transactions contemplated thereunder.

As the applicable percentage ratios for the aggregate annual rent and management fee payable by the Tenants under the New Lease Agreement for each of the three financial years ending 31 July 2017 are expected to be more than 0.1% and less than 5%, the tenancy arrangements as contemplated under the New Lease Agreement for the three financial years ending 31 July 2017 are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Company”	V.S. International Group Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Former Lease Agreement”	the lease agreement dated 27 July 2012 and entered into between VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai) as tenants and VS Management as landlord in relation to the lease of 20 blocks of residential buildings in the Former Premises for a term of two years commencing from 1 August 2012 to 31 July 2014
“Former Premises”	a residential complex comprising 39 residential buildings to be developed by VS Management
“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

“Leased Premises”	19 residential buildings in the Premises which will be leased to the Tenants by VS Management pursuant to the New Lease Agreement with an aggregate leased area of approximately 32,492 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Lease Agreement”	the lease agreement dated 22 August 2014 and entered into between VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai), as tenants, and VS Management as landlord in relation to the lease of 19 blocks of residential buildings in the Premises for a term of three years from 1 August 2014
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong and the Macau Special Administrative Region of the PRC
“Premises”	a residential complex comprising 39 residential buildings to be developed by VS Management, the location of which is the same as the Former Premises
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenants”	collectively, VS Zhuhai, VSI (Zhuhai) and VSA (Zhuhai)
“VSA (Zhuhai)”	VSA Electronics Technology (Zhuhai) Co., Ltd. (威士茂安商住電子科技(珠海)有限公司), a wholly-owned subsidiary of the Company established in the PRC
“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 Management”	V.S. (Zhuhai) Management Co., Ltd. (威士茂(珠海)管理有限公司), a wholly foreign-owned enterprise established in the PRC, the entire registered capital of which is owned by Mr. Beh Kim Ling, an executive Director
“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-owned subsidiary of the Company 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

Independent non-executive Directors:

Mr. Diong Tai Pew
Mr. Lee Soo Gee
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, 22 August 2014

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

HK\$1 = RMB0.80

Such exchange rate has been used for 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.