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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)

SETTLEMENT AGREEMENT IN RELATION TO DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to (i) the announcements of the Company dated 5 February 2015, 23 March 2015, 3 August 2015 and 2 November 2015 (“**Announcements**”); and (ii) the interim report of the Group for the six months ended 31 January 2016 dated 22 March 2016 (“**Interim Report**”) in relation to, among other matters, the Acquisition. Unless otherwise specified, terms defined in the Announcements shall have the same meanings when used in this announcement.

THE DEPOSITS

According to the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Further Supplemental Agreement), the Deposits payable to the Vendor (as part of the Acquisition Consideration of RMB44 million (equivalent to approximately HK\$55 million)) comprised the following:

1. the First Deposit of RMB23 million (equivalent to approximately HK\$29 million), payable by the Purchaser to the Vendor or its nominee by cheque or other payment methods as agreed between the parties within three business days after the date of the Acquisition Agreement; and
2. the Second Deposit of RMB21 million (equivalent to approximately HK\$26 million), consisting of (i) RMB11 million payable by the Purchaser to the Vendor or its nominee by cheque or other payment methods as agreed between the parties within three business days after the date of the Supplemental Agreement; and (ii) RMB10 million payable by the Purchaser to the Vendor or its nominee in parts (the amount and the time of the part payment shall be determined between the parties every time after the delivery of each of the Outstanding Approval Documents).

As certain conditions to the Acquisition had not been fulfilled and/or waived (as the case may be) as at the Acquisition Long Stop Date (i.e. 31 October 2015) and the parties to the Acquisition Agreement had not agreed on any further extension of the Acquisition Long Stop Date, on 1 November 2015, the Acquisition Agreement lapsed and none of the parties to the Acquisition Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach and the refund of the Deposits. As at 1 November 2015, the Deposits paid by the Purchaser amounted to HK\$42.5 million (equivalent to approximately RMB34 million) in aggregate.

THE SETTLEMENT AGREEMENT

On 31 August 2016 (after trading hours), the Purchaser, the Vendor, the Guarantors, the Project Company and the Target Company entered into a settlement agreement (“**Settlement Agreement**”) in relation to, among other matters, the refund of the Deposits.

Pursuant to the Settlement Agreement:

1. the Acquisition Agreement (as supplemented), together with all the contractual and other legal responsibilities and obligations relating to or arising out of the Acquisition Agreement (as supplemented), shall be terminated save as otherwise provided in the Settlement Agreement;
2. the Vendor shall repay, and the Guarantors shall procure the Vendor to repay, to the Purchaser the amount of the Deposits paid by the Purchaser in an aggregate principal amount of HK\$42.5 million (equivalent to approximately RMB34 million) and the interest thereon by **30 November 2016**. The interest shall be at **5%** per annum on the amount of Deposits paid accrued on a daily basis and calculated for the actual number of days elapsed, on a 360-day year, calculated from the 91st day from the payment of the relevant Deposit up to the date of full repayment to the Purchaser of the total amount of Deposits paid (together with interest thereon);
3. in the event that the Vendor fails to repay the Deposits (together with interest thereon) in part or in full (in the manner set out above) by **30 November 2016**, the interest shall instead be at **12%** per annum on the amount of Deposits paid accrued on a daily basis and calculated for the actual number of days elapsed, on a 360-day year, calculated from the 91st day from the payment of the relevant Deposit up to the date of full repayment to the Purchaser of the total amount of Deposits paid (together with interest thereon);
4. in the event that the Vendor enters into any agreement (irrespective of form) with any third party in relation to the sale, transfer and/or disposal of any equity interest in the Target Company and/or the Project Company directly or indirectly owned by the Vendor, the Vendor shall, within three business days, notify the Purchaser in writing and shall pay, and the Guarantors shall procure the Vendor to pay, 10% of any deposits, security deposits and/or advance payment received by Vendor and/or the Guarantors (as applicable) upon signing of such agreement, and 10% of any amount subsequently received by the Vendor and/or the Guarantors pursuant to such agreement to the Purchaser immediately; and

5. in consideration of the Purchaser extending the deadline for refund of Deposits until 30 November 2016 and the Purchaser not taking any legal action against the Vendor in relation to the Vendor's breach of the Acquisition Agreement, the Vendor shall forgo all claims, demands, disputes and/or any legal action to be taken.

REASONS FOR ENTERING INTO THE SETTLEMENT AGREEMENT

The Group is principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products, and mould design and fabrication. As set out in note 12 to the condensed consolidated interim financial information in the Interim Report, the Acquisition Agreement (as supplemented) lapsed as certain conditions as set out in the Acquisition Agreement had not been fulfilled and/or waived as at the Acquisition Long Stop Date (i.e. 31 October 2015); the Group had been in discussions with the Vendor regarding the full refund of the Deposits and the Vendor had proposed that the refund of the Deposits and interest thereon at 5% per annum would be made on or before 31 August 2016. However, the Vendor was unable to refund the Deposits to the Purchaser as at the date of this announcement. Having taking into account the time and costs to be involved in taking legal proceeding(s) against the Vendor and/or the Guarantors and the inherent uncertainty in such legal proceeding(s) (as in any legal proceedings), the Board considers that the terms of the Settlement Agreement, which were arrived after arm's length negotiations among the parties thereto, are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULE IMPLICATIONS

Under the Settlement Agreement, the Vendor is permitted to defer the refund of the Deposits to the Purchaser, which has the effect of granting of credit by the Group to the Vendor. As such, the Settlement Agreement constitutes financial assistance provided by the Group and is subject to Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios exceeds 5% but is less than 25%, the Settlement Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

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

Zhuhai, the PRC, 31 August 2016

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

Mr. Beh Kim Ling
Mr. Gan Sem Yam
Madam Gan Chu Cheng
Mr. Zhang Pei Yu
Mr. Beh Chern Wei

Independent non-executive Directors:

Mr. Diong Tai Pew
Mr. Tang Sim Cheow
Ms. Fu Xiao Nan

Non-executive Director:

Mr. Gan Tiong Sia