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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of the Prospectus or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s). The Prospectus Documents should not, however, be distributed, forwarded or transmitted into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Prospectus Documents, together with copies of the documents referred to in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to the Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (WUMP) Ordinance. The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of the Prospectus Documents.

Dealings in the securities of the Company and the Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS and you should consult a licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus.

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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)**

### **RIGHTS ISSUE OF 459,945,072 RIGHTS SHARES AT HK\$0.230 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY FOUR SHARES HELD ON THE RECORD DATE**

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Capitalised terms used in the Prospectus shall have the same meanings as defined in the section headed "Definitions" in the Prospectus. The Latest Acceptance Time and payment for the Rights Shares is 4:00 p.m. on Monday, 4 September 2017. The procedures for acceptance and payment or transfer are set out on pages 17 to 20 of the Prospectus.

The Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out in the section headed "The Underwriting Agreement – Termination of the Underwriting Agreement" on pages 23 to 24 of this Prospectus.

Shareholders should note that the existing Shares have been dealt in on ex-rights basis from Thursday, 10 August 2017. The Rights Shares in their nil-paid form will be dealt in from Wednesday, 23 August 2017 to Wednesday, 30 August 2017 (both days inclusive). If prior to the Latest Time for Termination, the Underwriter terminates the Underwriting Agreement or if any of the other conditions of the Rights Issue as set out in the paragraphs headed "The Underwriting Agreement – Conditions of the Underwriting Agreement" contained in this Prospectus is not fulfilled or waived (as applicable), the Rights Issue will not proceed.

Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases, will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

21 August 2017

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## DEFINITIONS

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*In the Prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 19 July 2017 in relation to, among other things, the Rights Issue
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Committed Shareholders”	collectively, Mr. Beh Kim Ling, Madam Gan Chu Cheng and Mr. Gan Sem Yam
“Committed Shareholders Undertaking”	deeds of undertaking dated 19 July 2017 signed by the Committed Shareholders in favour of the Company and the Underwriter in relation to, among other things, the undertaking of the Committed Shareholders to subscribe for and to procure the subscription of an aggregate of 44,691,961 Rights Shares to be provisionally allotted to them
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	V.S. International Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Rights Issue

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## DEFINITIONS

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“Concert Group”	VSB and parties acting in concert with it (i.e. Mr. Beh Kim Ling, Madam Gan Chu Cheng, Mr. Gan Tiong Sia, Mr. Beh Chern Wei, Mr. Gan Sem Yam, Mr. Tang Sim Cheow, Mr. Gan Pee Yong, Ms. Gan Chian Yi, Ms. Beh Hwee Lee, Ms. Beh Hwee Sze and Ms. Gan Swu Juan)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders in respect of applications for excess Rights Shares pursuant to the Rights Issue
“Excluded Shareholders”	those Overseas Shareholders to whom the Directors, having made enquiries regarding the legal restrictions under the laws of relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
“Exercisable Options”	the options granted by the Company to subscribe for an aggregate of 151,761,256 Shares pursuant to the share option scheme of the Company, which were outstanding as at the date of the Announcement and are capable of being exercised on or before the Record Date, of which 63,901,256 options lapsed on 31 July 2017
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	Tuesday, 15 August 2017, being the latest practicable date prior to the publication of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Last Trading Day”	19 July 2017, being the last trading day of the Shares immediately prior to the release of the Announcement

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## DEFINITIONS

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“Latest Time for Acceptance”	4:00 p.m. on Monday, 4 September 2017 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Wednesday, 6 September 2017, the second Business Day after the Latest Time for Acceptance, being the latest time by which the Underwriter may terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 176,020,000 Shares pursuant to the share option scheme of the Company, which were outstanding as at the Latest Practicable Date
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) which is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Rights Issue
“Posting Date”	21 August 2017 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China and for the purpose of this Prospectus only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	this prospectus
“Prospectus Documents”	this Prospectus, the PAL and the EAF to be issued by the Company to the Qualifying Shareholders in relation to the Rights Issue
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Friday, 18 August 2017, the record date for determining entitlements of the Shareholders to participate in the Rights Issue

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## DEFINITIONS

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“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue by way of rights of 459,945,072 Rights Shares at the Subscription Price on the basis of one Rights Share for every four existing Shares held on the Record Date on the terms and subject to conditions to be set out in the Prospectus Documents
“Rights Share(s)”	459,945,072 new Share(s) to be allotted and issued pursuant to the Rights Issue
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Specified Event”	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.230 per Rights Share
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers as amended, supplemented or otherwise modified from time to time
“Underwriting Agreement”	the underwriting agreement dated 19 July 2017 and entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue

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## DEFINITIONS

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“Underwritten Rights Shares”	215,231,119 Rights Shares other than those undertaken to be subscribed and applied by VSB and the Committed Shareholders pursuant to the VSB Undertaking and the Committed Shareholders Undertaking
“VSB” or “Underwriter”	V.S. Industry Berhad, a company incorporated in Malaysia with limited liability and the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad. VSB was interested in 800,087,971 Shares, representing approximately 43.49% of the issued share capital of the Company as at the Latest Practicable Date, and the underwriter to the Underwriting Agreement
“VSB Undertaking”	a deed of undertaking dated 19 July 2017 signed by VSB in favour of the Company and the Underwriter in relation to, among other things, the undertaking of VSB to subscribe for and to procure the subscription of 200,021,992 Rights Shares to be provisionally allotted to it
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	dollars of the United States of America, the lawful currency of the United States of America
“%”	per cent.

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## EXPECTED TIMETABLE

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### EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled and/or waived (where appropriate). The expected timetable will be subject to change, and any change will be announced in a separate announcement by the Company as soon as practicable.

**Event** **2017**

First day of dealings in nil-paid Rights Shares . . . . . 9:00 a.m. on Wednesday, 23 August

Latest time for splitting nil-paid Rights Shares . . . . . 4:30 p.m. on Friday, 25 August

Last day of dealings in nil-paid Rights Shares . . . . . 4:00 p.m. on Wednesday, 30 August

**Latest Time for Acceptance, and payment for,  
the Rights Shares and application for  
excess Rights Shares . . . . . 4:00 p.m. on Monday, 4 September**

Latest time to terminate the Underwriting Agreement and  
for the Rights Issue to become unconditional . . . . 4:00 p.m. on Wednesday, 6 September

Announcement of results of the Rights Issue . . . . . Monday, 11 September

Refund cheques, if any, to be despatched  
(if the Rights Issue is terminated; or in respect of  
unsuccessful or partially successful application  
for excess Rights Shares) on or before . . . . . Tuesday, 12 September

Certificates for fully paid Rights Shares  
to be despatched on or before . . . . . Tuesday, 12 September

Commencement of dealings in  
fully-paid Rights Shares . . . . . 9:00 a.m. on Wednesday, 13 September

*Notes:*

1. All times in this announcement refer to Hong Kong times.
2. Effect of bad weather on the Latest Time for Acceptance and payment for the Rights Shares and for application and payment for the excess Rights Shares:

The Latest Time for Acceptance and payment for the Rights Shares will not take effect if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning. If such circumstance is:

- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on Monday, 4 September 2017, the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for the excess Rights Share will be extended to 5:00 p.m. on the same Business Day; or



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## EXPECTED TIMETABLE

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- (b) in force in Hong Kong at any local time before 12:00 noon and 4:00 p.m. on Monday, 4 September 2017, the Latest Time for Acceptance and payment for the Rights Shares and for application and payment for the excess Rights Share will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance and payment for the Rights Shares and for application and payment for the excess Rights Share does not take effect on Monday, 4 September 2017, the dates mentioned above may be affected. An announcement will be made by the Company in such event.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### TERMINATION OF THE UNDERWRITING AGREEMENT

**The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement if prior to the Latest Time for Termination, any of the following happens:**

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue after the signing of the Underwriting Agreement; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
  - (c) any materially adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position or prospects of the Group as a whole; or
  - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike after the signing of the Underwriting Agreement; or
  - (e) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or
  - (f) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (g) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company,

which event or events is or are in the reasonable opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
  - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
  - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue;
- (2) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (3) any specified event comes to the knowledge of the Underwriter.

The Shares were dealt in on an ex-rights basis since Thursday, 10 August 2017 and that the Rights Shares are expected to be dealt in their nil-paid form from Wednesday, 23 August 2017 to Wednesday, 30 August 2017 (both days inclusive). If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination as described above or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Any person dealing in the securities of the Company from now up to the date on which all the conditions of the Underwriting Agreement are fulfilled and/or waived (where appropriate) and any person dealing in the nil-paid Rights Shares from Wednesday, 23 August 2017 to Wednesday, 30 August 2017 (being the first day and last day of dealings in the nil-paid Rights Shares, respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his/her/its/their position is recommended to consult his/her/its/their own professional adviser.

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## **TERMINATION OF THE UNDERWRITING AGREEMENT**

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It is expected that the conditions referred to in the paragraph headed “The Underwriting Agreement – Conditions of the Underwriting Agreement” under the section headed “Letter from the Board” in the Prospectus are to be fulfilled by 4:00 p.m. Hong Kong time on 4 September 2017. If the conditions referred to in that section are not fulfilled and/or waived (where appropriate) by the Underwriter on or before 4:00 p.m. Hong Kong time on 4 September 2017 (or such later time and/or date as the Company and the Underwriter may determine in writing) or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Non-executive Director:*

Mr. Gan Tiong Sia

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

40th Floor  
Jardine House  
1 Connaught Place, Central  
Hong Kong

*Independent non-executive Directors:*

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

21 August 2017

*To the Qualifying Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF 459,945,072 RIGHTS SHARES  
AT HK\$0.230 PER RIGHTS SHARE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY FOUR SHARES HELD ON THE RECORD DATE**

**INTRODUCTION**

On 19 July 2017, the Directors announced that the Company intends to raise not less than approximately HK\$105.8 million, before expenses, by issuing not less than 459,945,072 Rights Shares (assuming no Exercisable Options are exercised on or before the Record Date), and raise not more than HK\$114.5 million, before expenses, by issuing not more than 497,885,386 Rights Shares (assuming all Exercisable Options are exercised on or before the Record Date), at the Subscription Price of HK\$0.230 per Rights Share on the basis of one Rights Share for every four existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. As at the Record Date, there were 1,839,780,291 Shares in issue. On the basis of one Rights Share for every four Shares held on the Record Date, the Company will issue 459,945,072 Rights Shares.

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## LETTER FROM THE BOARD

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The Rights Shares will be fully underwritten by the Underwriter, based on the terms and conditions set out in the Underwriting Agreement. Details of the major terms and conditions of the Underwriting Agreement are set out in the paragraph headed “The Underwriting Agreement” below.

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed “The Underwriting Agreement – Conditions of the Underwriting Agreement” below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph headed “The Underwriting Agreement – Termination of the Underwriting Agreement” below). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled and/or waived (where appropriate), the Rights Issue will not proceed.

The purpose of the Prospectus is to give you further information on, among other things, the Rights Issue, including information on dealings in, transfer and acceptance of the Rights Shares and certain financial and other information in respect of the Group.

### THE RIGHTS ISSUE

#### Issue statistics

The Rights Issue statistics are as follows:

Number of Shares in issue as at the Latest Practicable Date	:	1,839,780,291 Shares
Basis of Rights Issue	:	One Rights Share for every four Shares held on the Record Date
Number of Rights Shares	:	459,945,072 Rights Shares
Subscription price	:	HK\$0.230 per Rights Share, payable in full when a Qualifying Shareholder accepts the provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the relevant Rights Shares

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## LETTER FROM THE BOARD

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On 31 July 2017, 63,901,256 options granted under the share option scheme of the Company have lapsed. As at the Latest Practicable Date, the Company has 176,020,000 Outstanding Options, of which:

- (i) 87,860,000 Outstanding Options are exercisable from 1 March 2017 to 28 February 2019; and
- (ii) 88,160,000 Outstanding Options are exercisable from 1 March 2018 to 28 February 2019.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date. From the date of the Announcement up to the Record Date, no Outstanding Options have been exercised.

The Underwritten Rights Shares are fully underwritten by the Underwriter on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out under the paragraph headed “Underwriting Agreement” below.

### **Subscription Price**

The Subscription Price is HK\$0.230, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue.

The Subscription Price represents:

- (i) a discount of approximately 17.86% to the closing price of HK\$0.280 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.73% to the average closing price of HK\$0.283 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 18.73% to the average closing price of HK\$0.283 per Share for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 14.81% to the theoretical ex-rights price of HK\$0.270 per Share, which is calculated based on the closing price of HK\$0.280 per Share on the Last Trading Day;
- (v) a discount of approximately 19.30% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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- (vi) a discount of approximately 10.85% to the unaudited consolidated net tangible asset value per Share of approximately HK\$0.258 (calculated by using the latest published unaudited net tangible asset value of the Group as at 31 January 2017 at the exchange rate of RMB1.00 to HK\$1.13 as at 31 January 2017 and dividing this sum by the 1,839,780,291 Shares in issue as at the Latest Practicable Date).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market price of the Shares prior to the Last Trading Day, capital needs and the future business development of the Group. When determining the discount rate applicable to the Subscription Price, the Directors have also reviewed all rights issues conducted by other companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange (the "**Comparables**") with prospectus issued between 19 April 2017 and 19 July 2017 (the "**Comparable Period**") and has identified 7 companies during the Comparable Period that have comparable fund raising size. The subscription prices of the Comparables ranged from a discount rate of approximately 15.2% to a discount rate of approximately 58.3% to the respective closing prices of their shares on the last trading days prior to the release of the rights issue announcements (the "**LTD Market Range**"). The Subscription Price, which represents a discount of 17.86% to the closing price of HK\$0.280 per Share on the Last Trading Day, is within the LTD Market Range.

Further, based on the information set out in the relevant prospectus, the subscription prices of the Comparables ranged from a discount of approximately 4.5% to a discount of approximately 50.0% to the respective theoretical ex-rights prices of their shares on their respective last trading days prior to the release of the rights issues announcements (the "**TERP Market Range**"). The Subscription Price, which represents a discount of approximately 14.82% to the theoretical ex-rights price of HK\$0.270 per Share on the Last Trading Day, is within the TERP Market Range.

In order to enhance the attractiveness of the Rights Issue, issuance of new shares by way of rights issue at a discount to the market price has been commonly adopted by listed issuers in Hong Kong to encourage existing shareholders to take up their entitlements so as to participate in the potential growth of the listed issuers in the future. Furthermore, since the Rights Issue will allow the Qualifying Shareholders to maintain their pro-rata shareholdings in the Company, the Directors consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Taking into account the estimated expenses in connection with the Rights Issue of approximately HK\$3.0 million, the net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.223.

### **Rights Shares**

The Rights Shares, when issued, will represent:

- (i) 25% of the existing total issued share capital of the Company; and



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## LETTER FROM THE BOARD

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- (ii) 20% of the total issued share capital of the Company as enlarged by the Rights Shares.

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares in fully-paid form.

### **Fractions of the Rights Shares**

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available for excess application by Qualifying Shareholders under the EAF(s).

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares on Tuesday, 12 September 2017 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Tuesday, 12 September 2017 by ordinary post to the applicants, at their own risk, to their registered addresses.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must have been registered as a member of the Company as at the Record Date and not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must have lodged any transfers of Shares (with the relevant share certificate(s)) with the Registrar by no later than 4:30 p.m. on Friday, 11 August 2017.

Qualifying Shareholders who take up their pro rata entitlements in full under the Rights Issue will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 20%.

As at the Record Date, there were 1,839,780,291 Shares in issue.

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## LETTER FROM THE BOARD

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### **Excluded Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company has complied with Rule 13.36(2)(a) of the Listing Rules and made enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders.

As at the Record Date, there were 6 Overseas Shareholders, of which (i) 3 Shareholders with registered address in Malaysia; and (ii) 3 Shareholders with registered address in Singapore.

The Company has been advised by its legal advisers on the laws of Malaysia that the Company would need to take additional steps to ensure compliance with the regulatory requirements of the relevant regulatory authorities in Malaysia if the Rights Issue is to be offered to the Overseas Shareholders with registered address in Malaysia. Having considered the circumstances, the Directors are of the view that it is expedient to extend the Rights Issue to such Overseas Shareholders taking into consideration that the time and costs involved in complying with the legal requirements of Malaysia would not outweigh the possible benefits to the relevant Overseas Shareholder and the Company. Accordingly, the Rights Issue will be extended to the Overseas Shareholder in Malaysia.

The Company has also been advised by its legal advisers on the laws of Singapore that the Company would be exempt from obtaining approval from, and/or registration or lodgement of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of Singapore since the Company would meet the relevant requirements for exemption. Based on the advice of the Company's legal advisers on the laws of Singapore, the Directors believe that the Prospectus Documents would not be required to be registered or lodged with the relevant regulatory bodies under the relevant laws and regulations of Singapore and may be despatched to the Overseas Shareholders with registered address in Singapore without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholder with registered address in Singapore.

The Overseas Shareholders with registered address in Singapore and Malaysia together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders for the purpose of the Rights Issue. The Company will send the Prospectus Documents to such Qualifying Shareholders. Accordingly, there is no Excluded Shareholder for the purpose of the Rights Issue.

### **Application for listing of the Rights Shares on the Stock Exchange**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid form to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 4,000 shares per board lot.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

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## LETTER FROM THE BOARD

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Subject to the granting of the listing of, and permission to deal in the Rights Shares, in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Stamp duty and any other applicable fees and charges**

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy and any other applicable fees and charges in Hong Kong.

### **Procedures for acceptance and payment or transfer**

#### *PAL – Acceptance and payment or transfer*

The PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholder(s) wish to take up the provisional allotment of Rights Shares as specified in the PAL in full, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on Monday, 4 September 2017. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**V.S. INTERNATIONAL GROUP LIMITED – Provisional Allotment Account**" and crossed "**ACCOUNT PAYEE ONLY**". No receipts will be given for such remittances.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar not later than 4:00 p.m. on Monday, 4 September 2017, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of their provisional allotment and/or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 25 August 2017 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar

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## LETTER FROM THE BOARD

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at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the aforesaid representations and warranties. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is an Excluded Shareholder.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out under the section headed "The Underwriting Agreement – Conditions of the Underwriting Agreement" of this Prospectus is not fulfilled and/or waived (as applicable) at or before the time and date specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post to their respective registered addresses at their own risk by the Registrar on or before Tuesday, 12 September 2017.

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## LETTER FROM THE BOARD

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### *EAF – Application for excess Rights Shares*

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders, for any Rights Shares provisionally allotted but not accepted and for any unsold Rights Shares arising out of the aggregation of fractional entitlements.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on Monday, 4 September 2017. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**V.S. INTERNATIONAL GROUP LIMITED – Excess Application Account**" and crossed "**ACCOUNT PAYEE ONLY**". No receipts will be given for such remittances.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on Monday, 11 September 2017. If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that a cheque for the amount tendered on application will be refunded in full without interest on or before Tuesday, 12 September 2017. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the amount of the surplus application monies are also expected to be refunded to them without interest on or before Tuesday, 12 September 2017.

All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

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## LETTER FROM THE BOARD

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Completion and return of the EAF by anyone outside Hong Kong will constitute a warranty and representation to the Company that all the local registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the EAF and any application under it have been, or will be, duly complied with. For the avoidance of doubt neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

The EAF is for use only by the Qualifying Shareholder(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out in the paragraphs headed “The Underwriting Agreement – Conditions of the Underwriting Agreement” below is not fulfilled at or before the Latest Time for Termination (or such later time or date as the Company and the Underwriter may agree in writing), the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Tuesday, 12 September 2017.

### UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

#### Undertakings

As at the Latest Practicable Date, VSB and the Committed Shareholders were interested in 800,087,971 Shares and an aggregate of 178,767,848 Shares respectively, representing approximately 43.49% and 9.72% of the existing issued share capital of the Company.

VSB has entered into the VSB Undertaking pursuant to which VSB has undertaken to subscribe and procure subscription for 200,021,992 Rights Shares that will be provisionally allotted to it under the Rights Issue.

Each of the Committed Shareholders has entered into the Committed Shareholders Undertaking pursuant to which the Committed Shareholders have undertaken that they will subscribe for and procure the subscription of an aggregate of 44,691,961 Rights Shares that will be provisionally allotted to them under the Rights Issue.

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## LETTER FROM THE BOARD

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The table below sets out (i) the number of Shares held by the Committed Shareholders as at the Latest Practicable Date; and (ii) the number of Rights Shares which the Committed Shareholders have undertaken to subscribe for and procure the subscription of:

<b>Committed Shareholders</b>	<b>Number of Shares held as at the Latest Practicable Date</b> <i>Shares</i>	<b>Number of Rights Shares undertaken to subscribe and procure the subscription of</b> <i>Shares</i>
<b><i>Directors</i></b>		
Mr. Beh Kim Ling	118,762,027	29,690,506
Madam Gan Chu Cheng	24,268,704	6,067,176
Mr. Gan Sem Yam	35,737,117	8,934,279

No preferential treatment will be given to VSB and the Committed Shareholders in the allocation of the excess Rights Shares, if any.

Pursuant to Note 6(b) to Rule 26.1 of the Takeovers Code, when a concert group holds over 50% voting rights of the Company, no obligations normally arise from acquisitions by any member of the concert group. However, subject to considerations similar to those set out in Note 6(a) to Rule 26.1, the Executive may regard as giving rise to an obligation to make an offer the acquisition by a single member of the concert group of voting rights sufficient to increase his holding by more than 2% in any 12-month period if he already holds between 30% and 50%.

As at the Latest Practicable Date, VSB and the Concert Group held approximately 43.49% and 59.06% of the voting rights in the Company respectively. The subscription of the Rights Shares by VSB and the Concert Group under the VSB Undertaking and in the capacity as Underwriter and the Committed Shareholders Undertakings will increase their voting rights in the Company to approximately 52.85% and 67.25% respectively (assuming no Qualifying Shareholders (other than VSB and the Committed Shareholders) take up their respective entitlements under the Rights Issue), which may give rise to an obligation for VSB to make a mandatory general offer for all the Shares (not already owned by the Concert Group) under Rule 26.1 of the Takeovers Code. VSB has applied to, and has been granted by the Executive Director of the Corporate Finance Division of the SFC under Note 6 on dispensations from Rule 26.1 of the Takeovers Code for a waiver from its obligation to make a mandatory general offer for the Shares arising as a result of the taking up of the Rights Shares pursuant to the VSB Undertaking and in the capacity as Underwriter.

Save for the VSB Undertaking given by VSB and the Committed Shareholders Undertaking given by each of the Committed Shareholders, as at the Latest Practicable Date, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

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## LETTER FROM THE BOARD

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### THE UNDERWRITING AGREEMENT

Key terms and details of the Underwriting Agreement are as set out below:

Date	:	19 July 2017
Underwriter	:	VSB, being the controlling Shareholder of the Company and its ordinary course of business does not include underwriting
Number of Underwritten Rights Shares	:	215,231,119 Rights Shares as determined on the Record Date

The Underwriter will not be entitled to any underwriting commission.

The Company has not approached other potential underwriters in respect of the Rights Issue as: (a) the Company is mindful of the laws and regulations in Hong Kong pertaining to the need to preserve the confidentiality of inside information and the proposed Rights Issue is considered by the Company to be price sensitive and thus the Company is mindful not to solicit or negotiate with multiple potential underwriters in the market at the same time; (b) the Rights Issue is on a fully underwritten basis which ensures that the Company will raise the proceeds to satisfy its expected funding needs for the next 12 months which would have been seen as a favourable term; (c) no underwriting commission will be paid to the Underwriter pursuant to the Underwriting Agreement, which can save costs and is beneficial to the Company as a whole; and (d) it is time consuming to negotiate with other potential underwriters and that an underwriting commission will be charged for the underwriting services. Taking into account the above-mentioned factors, the Company had not approached other potential underwriters.

### Conditions of the Underwriting Agreement

Pursuant to the Underwriting Agreement, the obligations of the Underwriter are conditional upon the following:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) prior to the first day of their dealings;
- (ii) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus for information only to the Excluded Shareholders, if any, by no later than the Posting Date;



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## LETTER FROM THE BOARD

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- (iv) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (v) compliance with and performance by each of VSB and the Committed Shareholders of all of his/her/ its obligations and undertakings under their respective undertakings.

Neither the Company nor the Underwriter may waive the conditions precedent (i), (ii), (iii) and (v) above. The Underwriter may waive the condition precedent (iv) set out above in whole or in part by written notice to the Company.

If the conditions precedent are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Acceptance or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save in respect of provision of the Underwriting Agreement relating to indemnity and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise. The VSB Undertaking and the Committed Shareholders Undertakings shall lapse upon the termination of the Underwriting Agreement.

### **Termination of the Underwriting Agreement**

**The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, the right to terminate the Underwriting Agreement if prior to the Latest Time for Termination, any of the following happens:**

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue after the signing of the Underwriting Agreement; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
  - (c) any materially adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position or prospects of the Group as a whole; or

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## LETTER FROM THE BOARD

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- (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike after the signing of the Underwriting Agreement; or
- (e) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or
- (f) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or
- (g) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company,

which event or events is or are in the reasonable opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
  - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
  - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue;
- (2) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or
  - (3) any specified event comes to the knowledge of the Underwriter.

**If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination as described above or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.**

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company:

	As at the Latest Practicable Date		Immediately upon Completion assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately upon Completion assuming no Qualifying Shareholders (other than VSB and the Committed Shareholders) take up their respective entitlements under the Rights Issue	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
<b>VSB (the Underwriter)</b>	<b>800,087,971</b>	<b>43.49</b>	<b>1,000,109,966</b>	<b>43.49</b>	<b>1,215,341,082</b>	<b>52.85</b>
<b>Parties acting in concert with VSB</b>						
<i>Committed Shareholders</i>						
Mr. Beh Kim Ling <i>(Note 1)</i>	118,762,027	6.46	148,452,533	6.46	148,452,533	6.46
Madam Gan Chu Cheng <i>(Note 2)</i>	24,268,704	1.32	30,335,880	1.32	30,335,880	1.32
Mr. Gan Sem Yam <i>(Note 3)</i>	35,737,117	1.94	44,671,396	1.94	44,671,396	1.94
<i>Sub-total of Committed Shareholders</i>	<i>178,767,848</i>	<i>9.72</i>	<i>223,459,809</i>	<i>9.72</i>	<i>223,459,809</i>	<i>9.72</i>
<i>Other parties acting in concert with VSB</i>						
Mr. Beh Chern Wei <i>(Note 4)</i>	22,000,000	1.20	27,500,000	1.20	22,000,000	0.96
Mr. Gan Tiong Sia <i>(Note 5)</i>	17,215,074	0.94	21,518,842	0.94	17,215,074	0.75
Mr. Tang Sim Cheow <i>(Note 6)</i>	639,130	0.03	798,912	0.03	639,130	0.03
Ms. Beh Hwee Lee <i>(Note 7)</i>	10,000,000	0.54	12,500,000	0.54	10,000,000	0.43
Ms. Beh Hwee Sze <i>(Note 8)</i>	10,000,000	0.54	12,500,000	0.54	10,000,000	0.43
Mr. Gan Pee Yong <i>(Note 9)</i>	-	-	-	-	-	-
Ms. Gan Chian Yi <i>(Note 10)</i>	31,571,275	1.72	39,464,093	1.72	31,571,275	1.37
Ms. Gan Swu Juan <i>(Note 11)</i>	16,300,000	0.88	20,375,000	0.88	16,300,000	0.71
<i>Sub-total of other parties acting in concert with VSB</i>	<i>107,725,479</i>	<i>5.85</i>	<i>134,656,847</i>	<i>5.85</i>	<i>107,725,479</i>	<i>4.68</i>
<b>Sub-total of the Concert Group <i>(Note 12)</i></b>	<b>1,086,581,298</b>	<b>59.06</b>	<b>1,358,226,622</b>	<b>59.06</b>	<b>1,546,526,370</b>	<b>67.25</b>
<b>Other Directors</b>						
Mr. Zhang Pei Yu <i>(Note 13)</i>	2,000	0.00	2,500	0.00	2,000	0.00
Mr. Diong Tai Pew <i>(Note 14)</i>	1,413,129	0.08	1,766,411	0.08	1,413,129	0.06
Ms. Fu Xiao Nan <i>(Note 15)</i>	-	-	-	-	-	-
Public Shareholders	751,783,864	40.86	939,729,830	40.86	751,783,864	32.69
<b>Total number of issued Shares</b>	<b>1,839,780,291</b>	<b>100.00</b>	<b>2,299,725,363</b>	<b>100.00</b>	<b>2,299,725,363</b>	<b>100.00</b>

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*Notes:*

1. Mr. Beh Kim Ling is an executive Director.
2. Madam Gan Chu Cheng is an executive Director.
3. Mr. Gan Sem Yam is an executive Director.
4. Mr. Beh Chern Wei is a son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, an executive Director.
5. Mr. Gan Tiong Sia is a non-executive Director.
6. Mr. Tang Sim Cheow is an independent non-executive Director, an independent non-executive director of VSB.
7. Ms. Beh Hwee Lee is a daughter of Mr. Beh Kim Ling and Madam Gan Chu Cheng.
8. Ms. Beh Hwee Sze is a daughter of Mr. Beh Kim Ling and Madam Gan Chu Cheng.
9. Mr. Gan Pee Yong is a son of Mr. Gan Sem Yam.
10. Ms. Gan Chian Yi is a daughter of Mr. Gan Sem Yam.
11. Ms. Gan Swu Juan is a daughter of Mr. Gan Tiong Sia.
12. Parties acting in concert with VSB include Mr. Beh Kim Ling, Madam Gan Chu Cheng, Mr. Gan Sem Yam, Mr. Beh Chern Wei, Mr. Gan Tiong Sia, Mr. Tang Sim Cheow, Ms. Beh Hwee Lee, Ms. Beh Hwee Sze, Mr. Gan Pee Yong, Ms. Gan Chian Yi and Ms. Gan Swu Juan.
13. Mr. Zhang Pei Yu is an executive Director.
14. Mr. Diong Tai Pew is an independent non-executive Director.
15. Ms. Fu Xiao Nan is an independent non-executive Director.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon Completion are subject to various factors, including the results of acceptance of the Rights Issue.

### **REASONS AND BENEFITS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS**

The Group is principally engaged in the manufacturing and sale of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication. For the six months ended 31 January 2017, the Group has experienced significant increase in both revenue and profit, thanks to a large manufacturing contract signed in mid-late 2016 with an existing customer.

The Directors are of the view that the Group will be able to continue to attract new customers, while expanding the current business relationship with existing customers due to the growing demand of home appliances within PRC. The Directors consider that the growing demand is mainly driven by the increasing population and GDP per capita. In addition, certain types of home appliances, such as air purifier or water filter, are expected

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to experience even more growth as the general public is becoming more health-conscious. Recently, the Group has been in talks for multiple large potential contracts from new customers.

### **Reasons for the Rights Issue**

To cope with the increasing business needs, the Board plans to apply the Rights Issue proceeds to the Group's operations in Zhuhai, which includes expansion of its production capacity and storage capacity; and enhancement of its production efficiency to negate some of the impacts from rising wages.

#### *Increasing production capacity*

To increase the production capacity, the Group decides to upgrade one of its 12 SMT (surface mounting technologies) assembly lines. The SMT assembly lines are mainly for the production of electronic products, and the one particular assembly line that the Group is upgrading has been in use for more than 10 years. The upgrade would replace the current single lane process with a dual lane process, which will result in an increase of output capacity by at least 100% against the outgoing SMT assembly lines.

The Group is also expanding its production capacity by purchasing new high tonnage injection machines. The Directors believe that not only the products produced by the high tonnage injection machines can provide a better profit margin, its usage is also more flexible and can be used to substitute lower tonnage machines. At the same time, the high tonnage injection machines can be used in the manufacturing of plastic parts for larger products, such as air purifier and air conditioner. Recently, the Group has been in negotiation on contract that would require a higher number of high tonnage injection machines than the number of machines the Group currently possesses. The Directors are of the view that the expansion will significantly increase the Group's competitiveness in the high tonnage segment.

#### *Increasing storage capacity*

Construction of new warehouses started in mid-late 2016. Completion would take place by phases with the final one by the end of 2017. The Directors consider additional storage capacity is necessary as (i) the existing warehouse capacity is very often fully utilised during peak season which restricts the Group from serving new orders effectively; and (ii) the Group, as mentioned above, has been in the process of signing new manufacturing contracts. Part of the new warehouse has already been in use for storage of inventories relating to large manufacturing contract contributing to the growth for the six months ended January 2017.

This additional storage initiative is expected to incur an investment of about HK\$35 million. As of 30 June 2017, approximately HK\$32 million has been incurred and was financed by a mix of short-term bank borrowings and operating cash flow. The Directors prefer to match this fixed asset investment with a long term financing source. As a result, the Directors intend to use part of the net proceeds from the Rights Issue to repay the short term bank borrowings. Details are available in the section headed "Use of proceeds" below.

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## LETTER FROM THE BOARD

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### *Enhancing efficiency*

The Group is looking into ways to increase efficiency by introducing additional automation infrastructure to its current facilities. The Directors expect that the automation process will reduce a good portion of labour costs now and given the rapid rise of wages in PRC, the effect will be even more significant in the future. The Directors currently estimate an average payback period of approximately two years for its automation investments.

### **Benefits for the Rights Issue**

The Directors consider that the Rights Issue will be beneficial for the Group and the Shareholder as a whole because it can (i) strengthen the financial position of the Group; (ii) enhance the capital base; and (iii) provide operating flexibility to the Group.

The Directors have also considered other financing alternatives and made its decision after considering various factors. Debt financing will incur additional finance cost and increase the gearing ratio for the Group. Equity placement does not provide an equal opportunity for all Shareholders to participate and will dilute the interest of most Shareholders. Open offer is less beneficial to Shareholders than rights issue as Shareholders do not have the flexibility to sell their nil-paid rights on the open market in an open offer.

Overall, the Directors consider that the Rights Issue, given the current environment, is the most equitable and appropriate financing method for the Group, taking into account the factors discussed above.

### **Use of proceeds**

The estimated gross proceeds and net proceeds of the Rights Issue will be approximately HK\$105.8 million and approximately HK\$102.8 million respectively. The Group intends to apply such net proceeds from the Rights Issue as to following:

- i. approximately HK\$35 million for the repayment of short term bank borrowing, previously drawn to fund new warehouses and general working capital. The related borrowings are obtained from a commercial bank bearing interest rates ranging from 4.78% to 5.65% with due dates ranging from mid October 2017 to early December 2017;
- ii. approximately HK\$9 million for funding of new dual lane SMT assembly line. The Company has identified vendor for the new dual lane SMT assembly line and obtained quotation. The management plans to place purchase order in November 2017 and the new assembly line is expected to be delivered in February 2018, and installation is scheduled to be completed around March 2018;
- iii. approximately HK\$12 million for funding of new high tonnage injection machineries. The Company has already placed purchase order for the high tonnage injection machines. The machines are expected to be delivered in August 2017 and installation is scheduled to be completed around September 2017. Final installment would be payable around November 2017;

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## LETTER FROM THE BOARD

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- iv. approximately HK\$23 million for funding of automated equipment. The Company has placed purchase orders for some of the automated equipment and expected to place additional purchase orders in the near future. Since the automation upgrade is an on-going process, some of the equipment has already been received. The whole process is expected to be completed with all equipment installed around mid 2018. Final installment would be payable during the second half of 2018; and
- v. remaining balance as general working capital. In order to meet the expansion in business, the Company would utilise approximately HK\$24 million to purchase raw materials for the manufacturing of products.

### **FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS**

The Company has not conducted other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

### **ADJUSTMENT TO EXERCISE PRICE AND NUMBER OF SHARE OPTIONS**

As at the Latest Practicable Date, there were 176,020,000 Outstanding Options entitling the holders thereof to subscribe for up to 176,020,000 Shares. Pursuant to the provisions of the share option scheme of the Company, if the Rights Issue becomes unconditional, the Rights Issue will constitute an event giving rise to an adjustment to the exercise price of the Outstanding Options and/or the number of Shares issuable upon exercise of the Outstanding Options. The Company will notify the holders of the Outstanding Options and the Shareholders by way of announcement details of such adjustment, as soon as practicable after completion of the Rights Issue.

### **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES**

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “The Underwriting Agreement – Termination of the Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

The Shares have been dealt in on an ex-rights basis from Thursday, 10 August 2017. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 23 August 2017 to Wednesday, 30 August 2017 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date

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## LETTER FROM THE BOARD

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on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to the Prospectus.

Yours faithfully,  
For and on behalf of the Board  
**V.S. International Group Limited**  
**Beh Kim Ling**  
*Chairman*



## 1. SUMMARY OF FINANCIAL SUMMARY

Financial information of the Group (i) for each of the three years ended 31 July 2014, 2015 and 2016; and (ii) for the six months ended 31 January 2017 are disclosed in the following documents which have been published on the respective website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (details of website addresses as set out below):

- (a) annual report of the Company for the year ended 31 July 2014 published on 14 November 2014 (pages 50-114)

<http://www.vs-ig.com/upload/2014/11/201411140543507.PDF>

- (b) annual report of the Company for the year ended 31 July 2015 published on 9 November 2015 (pages 49-112)

<http://www.vs-ig.com/upload/2015/11/E15093247-VS-AR.PDF>

- (c) annual report of the Company for the year ended 31 July 2016 published on 21 November 2016 (pages 52-114)

<http://www.vs-ig.com/upload/2016/11/E16092641-VS-AR.pdf>

- (d) interim report of the Company for the six months ended 31 January 2017 published on 24 April 2017 (pages 5-38)

<http://www.vs-ig.com/upload/2017/04/E17030725-VS%C2%A0IR.pdf>

## 2. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal financial resources, the cash flows to be generated from the operating activities, available banking facilities and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for at least 12 months from the date of the Prospectus.

## 3. INDEBTEDNESS OF THE GROUP

### **Borrowings**

As at 30 June 2017, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding bank borrowings of RMB285.26 million. Bank borrowings of RMB271.36 million were secured by the Group's land use rights of RMB15.13 million, buildings of RMB183.28 million, plant and machinery of RMB25.24 million and bank deposits of RMB60.68 million. Bank borrowings of RMB13.90 million were unsecured as at 30 June 2017. As at 30 June 2017, the Group had unutilised banking facilities of RMB87.14 million.

**Contingent liabilities**

As at 30 June 2017, being the latest practicable date for the purpose of this statement of indebtedness, the Group did not have any material contingent liabilities.

Save as aforesaid, as at the close of business on 30 June 2017, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**4. MATERIAL CHANGE**

On 6 March 2017, the Company published a profit alert announcement for its interim results for the six months ended 31 January 2017 that the Group expected to record an increase of more than 10 times (the increase is equivalent to approximately RMB14.4 million) in its profit attributable to owners of the Company for the six months ended 31 January 2017, as compared to the amount of about RMB1.12 million for the corresponding period in 2016. The significant increase in profit was mainly attributable to the substantial increase in the amount of purchase orders placed by customers with the Group which in turns increases its revenue. In particular, the growth was contributed by a manufacturing agreement entered into between the Company and an existing customer for placing orders in an aggregate amount of RMB400 million. Most orders had been completed during the six months ended 31 January 2017.

Save as disclosed above, the Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31 July 2016, the date to which the latest published audited accounts of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

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.

With the economic development in China, the living standard has been improved which leads to growing health awareness among Chinese population. This becomes a key driver of consumption growth of air purifiers and water filters. As disclosed in its latest interim report, the revenue of the Group increased by 41% compared to the prior corresponding period which is mainly due to the substantial increase of purchase orders of air purifiers.

According to the statistics from National Bureau of Statistics of the PRC, the population in China grew continuously over the past decade and reached approximately 1.4 billion in December 2015. While the disposable income of each household increased from RMB18,311 in 2013 to RMB21,966 in 2015, with a CAGR (compound annual growth rate) of approximately 10%. The management believes that there are new opportunities and growth driver in respect of the sales of assembly of electronics products in the long run.

The Group would continue to strengthen its revenue base by focusing on assembling of home health care products, such as air purifiers and water filters, and constantly explore new customers to diversify its customer base in this segment. In line with such strategy, the Group plans to deploy more resources on the usage of new high tonnage injection machinery to widen its available product range as well as the expansion of production capacity of the assembly lines to enhance its production efficiency. These modern and advanced machinery and production lines enable the Group to manufacture products with higher quality and expand the Group's customer base. Construction of new warehouses started in mid-2016 and is expected to be completed by the end of 2017. Additional storage space is available to fulfill the existing and potential large-scale purchase orders of electronic products.

To alleviate the pressure from increasing labour cost in China, the Group would invest in automation infrastructure to streamline the manufacturing process and maintain higher standard of product quality in the future.

The Group would continue to explore different initiatives, including but not limited to merger and acquisition, disposal and cooperation, to enhance the performance of each business segment at each geographical area. The management would keep on strengthening its presence in the current industry to foster its business development by investing in research and development of original design manufacturer products.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED  
NET TANGIBLE ASSET OF THE GROUP**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 January 2017 (the “Unaudited Pro Forma Financial Information”) which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effects of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 31 January 2017.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 31 January 2017 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2017, as extracted from the published interim report of the Company for the six months ended 31 January 2017, with adjustments described below.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2017 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue <i>RMB'000</i>	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 January 2017 <i>RMB</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after the completion of the Rights Issue <i>RMB</i> <i>(Note 4)</i>
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Based on 459,945,072 Rights  
Shares to be issued at the  
Subscription Price of  
HK\$0.230

419,414	90,962	510,376	0.2284	0.2223
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*Notes:*

- 1 The amount of unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2017 of RMB419,414,000 is extracted from the published interim report of the Company for the six months ended 31 January 2017.

- 2 The estimated net proceeds from the Rights Issue of HK\$102,787,000 (equivalent to RMB90,962,000) are based on 459,945,072 Rights Shares to be issued on the basis of one Rights Share for every four existing Shares at the subscription price of HK\$0.230 per Rights Share, after deduction of the related expenses of approximately HK\$3,000,000.
- 3 The unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 January 2017 was RMB0.2284, which was based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2017 of RMB419,414,000 and 1,836,025,000 shares in issue as at 31 January 2017.
- 4 The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue per share are arrived at after aggregating the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2017 of RMB419,414,000 and the estimated net proceeds of RMB90,962,000 from the Rights Issue (Note 2 above) and on the basis that 1,836,025,000 shares were in issue as at 31 January 2017 and 459,945,072 Rights Shares were issued under the Rights Issue, assuming the Rights Issue had been completed on 31 January 2017.
- 5 Assuming full exercise of 87,860,000 share options which are exercisable from 1 March 2017 to 28 February 2019, the unaudited pro forma adjusted consolidated net tangible assets (including proceeds from full exercise of the share options of RMB24,881,000) would be RMB539,728,000. The calculation is illustrated in below table.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 January 2017 <i>RMB'000</i>	Proceeds from full exercise of exercisable share options <i>RMB'000</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after the completion of the Rights Issue <i>RMB</i>
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Based on				
481,910,072				
Rights Shares to				
be issued at the				
Subscription Price				
of HK\$0.230	419,414	24,881	95,433	539,728
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

- 6 No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 January 2017.

**B. ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA  
INFORMATION OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS  
OF THE GROUP**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON  
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

To the Directors of V.S. International Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of V.S. International Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 January 2017, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages 34 to 35 of the Company’s prospectus dated 21 August 2017, in connection with the proposed rights issue of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 34 to 35.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue on the Group’s financial position as at 31 January 2017 as if the proposed rights issue had taken place at 31 January 2017. As part of this process, information about the Group’s financial position has been extracted by the directors from the Company’s financial statements for the six months ended 31 January 2017, on which no audit or review report has been published.

*Directors’ Responsibility for the Unaudited Pro Forma Financial Information*

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and

with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

#### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### *Reporting Accountant’s Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed rights issue at 31 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 21 August 2017



## 1. RESPONSIBILITY STATEMENT

The Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Prospectus misleading.

## 2. SHARE CAPITAL AND SHARE OPTIONS

### (a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following the Completion will be, as follows:

<i>Authorised share capital</i>		<i>HK\$'000</i>
<u>4,000,000,000</u>	Shares as at the Latest Practicable Date	<u>200,000</u>
<i>Issued and fully paid share capital:</i>		
1,839,780,291	Shares in issue as at the Latest Practicable Date	91,989
	Number of Rights Shares to be issued upon	
<u>459,945,072</u>	Completion	<u>22,997</u>
<u>2,299,725,363</u>		<u>114,986</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

The Company had no outstanding convertible debt securities in issue as at the Latest Practicable Date. The Company does not have any founder, management or deferred Shares.

The Company has applied to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

**(b) Share options**

Details of the Outstanding Options as at the Latest Practicable Date were as follows:

Name of grantee	Number of underlying Shares subject to outstanding options of the Company	Date of grant	Exercise price per Share (HK\$)	Exercise period
<b>Directors</b>				
<i>Executive Directors</i>				
Mr. Beh Kim Ling	7,500,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	7,500,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
Mr. Gan Sem Yam	7,500,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	7,500,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
Madam Gan Chu Cheng	7,500,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	7,500,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
Mr. Zhang Pei Yu	7,500,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	7,500,000	12 January 2017	0.320	1 March 2018 to 28 February 2019

Name of grantee	Number of underlying Shares subject to outstanding options of the Company	Date of grant	Exercise price per Share (HK\$)	Exercise period
Mr. Beh Chern Wei	7,500,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	7,500,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
<i>Non-executive Director</i>				
Mr. Gan Tiong Sia	3,760,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	3,760,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
<i>Independent non-executive Directors</i>				
Mr. Diong Tai Pew	756,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	756,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
Mr. Tang Sim Cheow	756,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	756,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
Ms. Fu Xiaon Nan	756,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	756,000	12 January 2017	0.320	1 March 2018 to 28 February 2019

Name of grantee	Number of underlying Shares subject to outstanding options of the Company	Date of grant	Exercise price per Share (HK\$)	Exercise period
Other	44,332,000	12 January 2017	0.320	1 March 2017 to 28 February 2019
	44,632,000	12 January 2017	0.320	1 March 2018 to 28 February 2019
Total:	<u>176,020,000</u>			

Save as disclosed in this paragraph 2(b), the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

As at the Latest Practicable Date, no share capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

As at the Latest Practicable Date, there is no arrangement under which future dividends are waived or agreed to be waived.

## 3. DISCLOSURE OF INTERESTS BY DIRECTORS

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 or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director (Note 3)	The Company/ name of associated corporation	Capacity	Interest in shares (Note 2)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Beh Kim Ling	The Company	Beneficial owner	148,452,533 Shares (L) (Note 4)	–	8.07%
	The Company	Beneficial owner	–	15,000,000 Shares (L)	0.82%
	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	5 ordinary shares of HK\$1 each (L)	–	Nominal
	VSB	Beneficial owner	109,110,795 Ordinary Shares(L) (Note 7)	–	9.07%

Name of Director (Note 3)	The Company/ name of associated corporation	Capacity	Interest in shares (Note 2)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Gan Sem Yam	The Company	Beneficial owner	44,671,396 Shares (L) (Note 5)	–	2.43%
	The Company	Beneficial owner	–	15,000,000 Shares (L)	0.82%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	–	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–	Nominal
	VSB	Beneficial owner	73,542,752 ordinary shares (L) (Note 8)	–	6.11%
Madam Gan Chu Cheng	The Company	Beneficial owner	30,335,880 Shares (L) (Note 6)	–	1.65%
	The Company	Beneficial owner	–	15,000,000 Shares (L)	0.82%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	–	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–	Nominal
	VSB	Beneficial owner	97,170,875 ordinary shares (L) (Note 9)	–	8.08%
Mr. Zhang Pei Yu	The Company	Beneficial owner	2,000 Shares (L)	–	0.00%
	The Company	Beneficial owner	–	15,000,000 Shares (L)	0.82%

Name of Director (Note 3)	The Company/ name of associated corporation	Capacity	Interest in shares (Note 2)	Interest in underlying shares of share options (Note 1)	Approximate percentage of the relevant class of issued share capital of the Company/ associated corporation
Mr. Beh Chern Wei	The Company	Beneficial owner	22,000,000 Shares (L)	–	1.20%
	The Company	Beneficial owner	–	15,000,000 Shares (L)	0.82%
	VSB	Beneficial owner	16,800,000 shares (L) (Note 10)	–	1.40%
Mr. Gan Tiong Sia	The Company	Beneficial owner	17,215,074 Shares (L)	–	0.93%
	The Company	Beneficial owner	–	7,520,000 Shares (L)	0.41%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	–	5.00%
	VSB	Beneficial owner	25,098,430 ordinary shares (L) (Note 11)	–	2.09%
Mr. Diong Tai Pew	The Company	Beneficial owner	1,413,129 Shares (L)	–	0.08%
	The Company	Beneficial owner	–	1,512,000 Shares (L)	0.08%
Mr. Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares (L)	–	0.03%
	The Company	Beneficial owner	–	1,512,000 Shares (L)	0.08%
	VSB	Beneficial owner	400,000 ordinary shares (L) (Note 12)	–	0.03%
Ms. Fu Xiao Nan	The Company	Beneficial owner	–	1,512,000 Shares (L)	0.08%

## Notes:

- The exercise period of the share options are disclosed in the paragraph headed “Share capital and share options” above.
- The letter “L” represents the Director’s long position interest in the Shares or the shares in the Company’s associated corporations.

3. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tion Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tion Sia. Mr. Beh Chern Wei is the son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, and the nephew of Mr. Gan Tion Sia and Mr. Gan Sem Yam.
4. These Shares include (i) 118,762,027 Shares held by Mr. Beh Kim Ling; and (ii) 29,690,506 Rights Shares which Mr. Beh Kim Ling has irrevocably undertaken to subscribe pursuant to the Committed Shareholders Undertaking.
5. These Shares include (i) 35,737,117 Shares held by Mr. Gan Sem Yam; and (ii) 8,934,279 Rights Shares which Mr. Gan Sem Yam has irrevocably undertaken to subscribe pursuant to the Committed Shareholders Undertaking.
6. These Shares include (i) 24,268,704 Shares held by Madam Gan Chu Cheng; and (ii) 6,067,176 Rights Shares which Madam Gan Chu Cheng has irrevocably undertaken to subscribe pursuant to the Committed Shareholders Undertaking.
7. 2,550,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VSB at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.
8. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VSB at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 62 of these shares would be allotted and issued upon exercise in full the warrants granted by VSB at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
9. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VSB at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 175 of these shares would be allotted and issued upon exercise in full the warrants granted by VSB at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
10. 600,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VSB at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.
11. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VSB at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.
12. All of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VSB at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.

Save as disclosed in this paragraph 3, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.



#### 4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

##### (a) Interests in the Company

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholder	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
VSB	1,215,341,082 Shares (L) (Note 2)	Beneficial owner	66.06%

*Notes:*

- The letter "L" represents the corporation's long position interest in the Shares.
- These Shares include (i) 800,087,971 Shares held by VSB; (ii) 200,021,992 Rights Shares which VSB has irrevocably undertaken to subscribe pursuant to the VSB Undertaking; and 215,231,119 Underwritten Rights Shares as determined on the Record Date.

Save as disclosed above, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 a subsidiary of the Company.

#### 5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

On 30 October 2015, a master processing agreement (the "**Master Processing Agreement**") was entered into between the Group and Zhuhai Kejie Polymer Material Co., Ltd. pursuant to which Zhuhai Kejie Polymer Material Co., Ltd. provides processing services to the Group for the term of the Master Processing Agreement and remains effective as at the Latest Practicable Date. Please refer to the announcement of the Company dated 30 October 2015 for details.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

Save for a lease agreement (the “**Lease Agreement**”) entered into between the Group and V.S. (Zhuhai) Management Co., Ltd. on 22 August 2014 for the leasing of properties to the Group for a term of three years from 1 August 2014, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 July 2016, being the date to which the latest published audited consolidated accounts of the Group were made up. Please refer to the announcement of the Company dated 22 August 2014 for details in relation to the Lease Agreement.

None of the Directors was or will be given any compensation for loss of office or otherwise in connection with the Underwriting Agreement and/or the Rights Issue.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in any business which may compete with the business of the Group.

## 7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries during the period commencing two years preceding the Latest Practicable Date and are or may be material:

- (a) the acquisition agreement dated 5 February 2015 (the “**Acquisition Agreement I**”) entered into between (i) Energy Ally Global Limited, a wholly-owned subsidiary of the Company, as purchaser (the “**Purchaser**”); (ii) Ms. Hui Sai Ha, the sole shareholder of Cadre Project Development Company Limited (凱達爾項目控股有限公司) (the “**Target Company I**”), as vendor (the “**Vendor I**”); (iii) Ms. Li Yongjia as guarantor; (iv) Ms. Xu Wanting, as guarantor (together with Ms. Li Yongjia, the “**Guarantors**”); (v) 內蒙古晶兆萊光伏電力有限公司 (Inner Mongolia Gujing Zhaolai Photovoltaic Company Limited\*) (the “**Project Company**”), the holding company of a power generation project involving the construction and development of a solar power plant in the Inner Mongolia Autonomous Region, the PRC; and (vi) the Target Company I, pursuant to which the Purchaser conditionally agreed to purchase 20% of the issued share capital of the Target Company I at the consideration of RMB44 million;
- (b) the supplemental agreement to the Acquisition Agreement I dated 23 March 2015 entered into between the Purchaser, the Vendor I, the Guarantors, the Project Company and Target Company I to amend certain terms and conditions in the Acquisition Agreement I;

\* for identification purposes only

- (c) the acquisition agreement dated 16 April 2015 (the “**Acquisition Agreement II**”) entered into between (i) the Purchaser; (ii) Ms. Yin Hongwen, the sole equity holder of 珠海德源節能科技有限公司 (Zhuhai Deyuan Energy Conservation Technology Company Limited\*) (the “**Target Company II**”) as vendor (the “**Vendor II**”); and (iii) Target Company II, a company established in the PRC principally engaged in the development of solar photovoltaic power plants and energy conservation technology, pursuant to which the Purchaser conditionally agreed to (i) purchase the entire equity interest of the Target Company II at the consideration of RMB20 million; and (ii) inject capital of RMB40 million into the Target Company II;
- (d) the supplemental agreement to the Acquisition Agreement II dated 6 July 2015 entered into between the Purchaser, Vendor II and Target Company II to amend certain terms and conditions of the Acquisition Agreement II;
- (e) the further supplemental agreement to the Acquisition Agreement I dated 3 August 2015 entered into between the Purchaser, the Vendor I, the Guarantors, the Project Company and the Target Company I to amend certain terms and conditions of the Acquisition Agreement I;
- (f) the further supplemental agreement to the Acquisition Agreement II dated 30 October 2015 entered into between the Purchaser, the Vendor II and the Target Company II to amend certain terms and conditions of the Acquisition Agreement II;
- (g) the third supplemental agreement to the Acquisition Agreement II dated 30 December 2015 entered into between the Purchaser, the Vendor II and the Target Company II to amend certain terms and conditions of the Acquisition Agreement II;
- (h) the settlement agreement (the “**Settlement Agreement**”) in relation to the Acquisition Agreement I dated 31 August 2016 entered into between the Purchaser, the Vendor I, the Guarantors, the Project Company and the Target Company I in relation to the refund of the deposits;
- (i) the subscription agreement dated 12 December 2016 entered into between (i) VS Industry Vietnam Joint Stock Company (“**VS Vietnam**”), an associate of the Group, as issuer; (ii) V.S. Holding Vietnam Limited (“**VS Holding**”), a wholly-owned subsidiary of the Company, as subscriber; and (iii) V.S. Technology Industry Park (Zhuhai) Co. Ltd., indirect wholly-owned subsidiary of the Company, as the entity paying consideration for the issue of shares, in respect of the subscription of 3,102,700 shares of VS Vietnam by VS Holding at the subscription price of US\$0.526 per subscription share; and
- (j) the Underwriting Agreement.

\* for identification purposes only

**8. LITIGATION**

A writ of summons dated 25 January 2017 was served by the Purchaser to Vendor I and the Guarantors for the failure to refund the deposits totaling RMB34 million paid by the Group in accordance with the Settlement Agreement. Vendor I served her defence dated 14 June 2017 on the Purchaser.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which the Company or any of its subsidiaries was, or might become, a party.

**9. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which is contained in this Prospectus:

PricewaterhouseCoopers

Certified Public Accountants

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion herein of its letters or reports or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

PricewaterhouseCoopers did not have any direct or indirect interests in any assets which have been, since 31 July 2016 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, PricewaterhouseCoopers was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

**10. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## 11. CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong and office address of all Directors	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Authorised representative	Mr. Beh Kim Ling 40th Floor, Jardine House 1 Connaught Place Central, Hong Kong  Mr. Gan Sem Yam 40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Legal advisers to the Company	<i>as to Hong Kong laws:</i> Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Auditor and Reporting Accountant	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building Central, Hong Kong
Principal Share Registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch Share Registrar in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

Principal bankers	Malayan Banking Berhad Hong Kong Branch 18/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
	Industrial & Commercial Bank of China Ltd. ICBC Building Jingshan Road Zhuhai Guangdong Province China
	Agricultural Bank of China No. 63 Xiangjiang Road Economic and Technological Development Zone Qingdao Shandong Province China
	Malayan Banking Berhad Shenzhen Branch Unit 1, 7-8, 37/F AVIC Center No. 1018 Huafu Road Futian District Shenzhen China
Stock code	1002
Underwriter	V.S. Industry Berhad Suite 7E, Level 7 Menara Ansar 65 Jalan Trus 80000 Johor Bahru Johor Darul Takzim Malaysia

## 12. EXPENSES

The expenses in connection with the Rights Issue, including financial, legal and other professional advisory fees, printing and translation expenses are estimated to be approximately HK\$3.0 million and will be payable by the Company.

**13. PARTICULARS OF THE DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY****(a) Name and address**

<b>Name</b>	<b>Address</b>
<i>Executive Directors:</i>	
Mr. Beh Kim Ling	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Gan Sem Yam	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Madam Gan Chu Cheng	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Zhang Pei Yu	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Beh Chern Wei	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
<i>Non-executive Director:</i>	
Mr. Gan Tiong Sia	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
<i>Independent non-executive Directors:</i>	
Mr. Diong Tai Pew	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Tang Sim Cheow	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong

Name	Address
Ms. Fu Xiao Nan	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
<i>Senior management:</i>	
Mr. Hsu Chi Chuan	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Lo Boon Wah	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Lee Keng Eng	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Chong Chin Siong	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Mr. Soh Cheah Tuck	40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
<i>Company secretary:</i>	
Ms. Ng Ting On, Polly	40th Floor, Jardine House 1 Connaught Place Central Hong Kong

**(b) Qualifications and positions held**

*Executive Directors*

**Mr. BEH Kim Ling**, aged 59, is the chairman of the Company. Mr. Beh started his career in 1976 as a plastic moulding technician in Singapore. Three years later, Mr. Beh established VS Industry Pte Ltd. which was principally involved in the manufacturing of cassettes and video tapes parts in Singapore. In 1982, Mr. Beh, together with his wife, relocated the entire business operations of VS Industry Pte Ltd. from Singapore to Johor Bahru, Malaysia and set up VSB in Johor Bahru, Malaysia. Mr. Beh has been the executive chairman of VSB since then. With the vast experience in the plastic moulding injection business gained in



Singapore and Malaysia, Mr. Beh founded the Group's business in the PRC in 1997. Mr. Beh has been appointed as an executive Director since 5 November 2001.

In November 2003, Mr. Beh received Honorary Doctorate from the Honolulu University in Hawaii, the United States of America. In recognition of his efforts and dedication, His Excellency, the Governor of Malacca conferred the Darjah Putra Seri Melaka (“**DPSM**”) to him which carries the prestigious title of “Datuk” in December 2012. Currently, Mr. Beh focuses mainly on business development and formulation of the overall business strategy of the Group.

Mr. Beh is the husband of Madam Gan Chu Cheng, the brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia and the father of Mr. Beh Chern Wei.

**Mr. GAN Sem Yam**, aged 61, is the managing Director. After completing his secondary education in 1975, Mr. Gan joined one of the shipyards in Singapore as an electrician. Mr. Gan joined VSB in 1982 and was promoted to general manager and director of VSB in February 1988. Mr. Gan was appointed as an executive Director on 16 July 2001.

In December 2012, in recognition of his efforts and dedication, he was conferred the DPSM which carries the prestigious title of “Datuk” by His Excellency, the Governor of Malacca. Mr. Gan is mainly responsible for the operations and daily management of the Group.

Mr. Gan is the brother of Madam Gan Chu Cheng and Mr. Gan Tiong Sia, the brother-in-law of Mr. Beh Kim Ling, and the uncle of Mr. Beh Chern Wei.

**Madam GAN Chu Cheng**, aged 63, is the finance Director. Madam Gan, together with her husband, Mr. Beh Kim Ling, established VSB in 1982. Madam Gan has accumulated more than 30 years experience in the plastic injection and moulding business. Madam Gan was appointed as an executive Director on 5 November 2001 and she is an executive director of VSB. Madam Gan has headed several departments including production planning, procurement and finance departments in both VSB and the Group.

At present, Madam Gan is mainly responsible for the financial management of the Group.

Madam Gan is the wife of Mr. Beh Kim Ling, the sister of Mr. Gan Sem Yam and Mr. Gan Tiong Sia and the mother of Mr. Beh Chern Wei.

**Mr. ZHANG Pei Yu**, aged 79, has been with the Group since October 2000 and has been appointed as an executive Director since 5 November 2001. Prior to joining the Group, Mr. Zhang held various managerial positions with a number of large state-owned enterprises and government bureau in the PRC, including Shenyang Auto Mobile Manufacturing Factory, Shenyang Light Industry Bureau,

Planning Economy Committee of Shenyang and Shenyang Jinbei Company. Mr. Zhang has gained substantial experience in corporate management and business development in the PRC.

Mr. Zhang is principally responsible for the corporate affairs of the Group in the PRC.

**Mr. BEH Chern Wei**, aged 31, was appointed as an alternate Director to Madam Gan Chu Cheng on 21 March 2015 and redesignated from an alternative Director to Madam Gan Chu Cheng to an executive Director on 16 December 2015. Mr Beh graduated with a Bachelor of Science degree in Industrial Engineering from the State University of New York at Buffalo in 2006. Upon graduation, Mr. Beh served for a year in the business development division of VSB, the parent company of the Company, whose subsidiaries are principally engaged in the manufacturing, assembly and sale of plastic moulded components and parts, and electrical products. After joining the Group, Mr. Beh served as a project manager and a business system manager in the Group's production facilities in Zhuhai, the PRC, whereby he took part in activities relating to management enterprise resource planning system, business development, sales and marketing, supply chain management, operational management and project and product development.

Mr. Beh currently serves as the head of information technology and supply chain management of the Group.

Mr. Beh is the son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, both being executive Directors, and the nephew of Mr. Gan Tiong Sia, a non-executive Director, and Mr. Gam Sem Yam, an executive Director.

*Non-executive Director*

**Mr. GAN Tiong Sia**, aged 57, has been a member of the Board since 5 November 2001. After graduation from secondary school, Mr. Gan joined VSB as a management trainee. Mr. Gan was subsequently promoted as the marketing manager of VSB in 1986 and became a director of VSB in February 1988.

In May 2014, in recognition of his efforts and dedication, he was conferred the Darjah Indera Mahkota Pahang which carries the prestigious title of "Dato" by His Excellency, the Sultan of Pahang.

Mr. Gan is the brother of Madam Gan Chu Cheng and Mr. Gan Sem Yam, the brother-in-law of Mr. Beh Kim Ling, and the uncle of Mr. Beh Chern Wei.

*Independent non-executive Directors*

**Mr. DIONG Tai Pew**, aged 66, was appointed as an independent non-executive Director on 31 August 2002. Mr. Diong graduated with a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. Mr. Diong is a Chartered Accountant of Singapore and Malaysia. He is also a fellow member of the Chartered Tax Institute of Malaysia.

Mr. Diong is a practicing accountant and has more than 30 years of experience in audit and investigation work, taxation, merger and acquisition as well as business development. Mr. Diong is the founder partner of CA Diong (formerly known as UHY Diong), an accounting and consulting group in Singapore and Malaysia. Mr. Diong is also an independent non-executive director and the chairman of the audit committee of both SIG Gases Berhad, a company listed on the Main Market of Bursa Malaysia and Hengyang Petrochemical Logistics Limited, a company listed on the Catalist of the Singapore Exchange.

**Mr. TANG Sim Cheow**, aged 58, was appointed as an independent non-executive Director on 30 September 2004. Mr. Tang graduated from the University of Malaya with a Bachelor of Accounting degree in 1984. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, and a fellow member of the Chartered Tax Institute of Malaysia. Mr. Tang joined KPMG Kuala Lumpur upon graduation and was promoted to tax manager in 1988. In 1992, Mr. Tang was seconded to KPMG Johor Bahru to head the tax practice of the Johor Bahru Branch and was promoted to tax director in 1995. Since 2000, Mr. Tang operates his own accounting firm S C Tang & Associates, in Malaysia which provides assurance, tax and consultancy services.

Mr. Tang is currently an independent non-executive director of VSB, holding company of the Company which is listed on the Main Market of Bursa Malaysia.

**Ms. FU Xiao Nan**, aged 47, was appointed as an independent non-executive Director on 12 June 2015. Ms. Fu holds a master's degree in finance and has over 15 years of investment banking experience in the capital markets of the PRC. She is a sponsor representative registered with China Securities Regulatory Commission.

Ms. Fu is currently a member of the senior management of Huatai United Securities Co., Ltd. a company established in the PRC principally engaged in securities underwriting, sponsorship and financial advisory to securities investment and trading related activities. Prior to joining Huatai United Securities Co., Ltd., Ms. Fu held senior management positions in various investment banks. From June 2008 to March 2010, Ms. Fu acted as an independent non-executive director of Blue Star Cleaning Co., Ltd. (now known as Chengdu Xingrong Environment Co., Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 000598). Since December 2012, Ms. Fu has also served as an independent

non-executive director of the United Laboratories International Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (stock code: 3933).

Save as disclosed above, none of the Directors is holding or held directorship in other listed public companies in the last three years from the Latest Practicable Date.

The Directors’ interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are disclosed under the paragraph headed “Disclosure of interests by Directors” in this appendix.

#### *Senior Management*

**Mr. HSU Chi Chuan**, aged 49, is the general manager of V.S Technology Industry Park (Zhuhai) Co., Ltd. Prior to joining the Group in September 2010, Mr. Hsu has gained more than 20 years experience in engineering, tooling and operations of electronics manufacturing service (“EMS”) industry in Taiwan and China including holding a position as a general manager for 10 years in a world leading EMS company in China.

**Mr. LO Boon Wah**, aged 48, is the general manager of Haivs Industry (Qingdao) Co., Ltd. (“Haivs Qingdao”), Qingdao GS Electronics Plastic Co., Ltd. (“Qingdao GS”) and Qingdao GP Electronic Plastics Co., Ltd. (“Qingdao GPI”). Mr. Lo, who joined the Group in July 2001, holds a Bachelor of Business Administration degree from the University of Utara Malaysia in Malaysia and has over 15 years experience in the administrative functions of operation management.

**Mr. LEE Keng Eng**, aged 44, is the operation finance controller of the Group. Mr. Lee joined the Group as the finance manager of Haivs Qingdao and Qingdao GS, Qingdao GPI and Qingdao GP Precision Mold Co., Ltd. since year 2004 and was promoted to the present position in April 2009. Mr. Lee has gained over 15 years of experiences in relation to accounting, financing and taxation in the PRC.

**Mr. CHONG Chin Siong**, aged 50, is the corporate finance controller of the Group. Mr. Chong graduated from the University Science of Malaysia with a Bachelor of Management (majoring in finance and accounting) in year 1992. Prior to joining the Group in January 2009, Mr. Chong has gained more than 15 years experience in internal audit, corporate finance and financial management in a number of public listed companies in Malaysia.

**Mr. SOH Cheah Tuck**, aged 46, is the general manager of V.S. Industry (Zhuhai) Co., Ltd.. Mr. Soh joined the Group in September 2004 as an assistant quality and engineering manager and was promoted to current position in 2009. He has more than 15 years of experience in the administrative functions of operation management.

*Company secretary*

**Ms. Ng Ting On Polly**, aged 36, is the company secretary of the Company. Ms. Ng holds a Bachelor Degree in Laws and a Master Degree in Laws from the University of Hong Kong. She is a practising solicitor in Hong Kong in the field of commercial and corporate finance.

**14. BINDING EFFECT**

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

**15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents and the written consent of PricewaterhouseCoopers as referred to in the paragraph headed “Expert and consent” in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (WUMP) Ordinance.

**16. MISCELLANEOUS**

So far the Directors are aware, there is no restriction affecting the remittance of profit or repatriation of capital into Hong Kong from outside Hong Kong other than the PRC, which the Group is required to comply with the relevant PRC laws and regulations before the remittance of profit or repatriation of capital into Hong Kong.

The English text of the Prospectus Documents shall prevail over the Chinese text for the purpose of interpretation.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of the Prospectus up to and including the date which is 14 days from the date of the Prospectus:

- (i) this Prospectus;
- (ii) the Committed Shareholders Undertaking;
- (iii) the VSB Undertaking;
- (iv) the memorandum and articles of association of the Company;

- (v) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to the Prospectus;
- (vi) the written consent referred to in the section headed “Expert and consent” in this appendix;
- (vii) the material contracts (including the Underwriting Agreement) as referred to in the section headed “Material contracts” in this appendix;
- (viii) the annual reports of the Company for each of the three years ended 31 July 2016; and
- (ix) the interim report of the Company for the six months ended 31 January 2017.