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V.S. INTERNATIONAL GROUP LIMITED
威鋮國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

CONNECTED TRANSACTION
PROPOSED AMENDMENTS
TO THE TERRITORIAL AGREEMENT

PROPOSED AMENDMENTS TO THE TERRITORIAL AGREEMENT

Reference is made to the Territorial Agreement entered into between the Company and VS Berhad on 20 January 2002. Pursuant to the Territorial Agreement, each of VS Berhad and the Company has irrevocably and unconditionally provided certain non-competition undertakings to the Company (for itself and for the benefit of the Group) and VS Berhad (for itself and for the benefit of the VS Berhad), respectively. Under the Territorial Agreement, during the Restricted Period, each of VS Berhad and the Company has further undertaken that all new business opportunities in respect of Products in the VS Territories or any of them shall be referred by VS Berhad to the Company and all new business opportunities in respect of Products in the Berhad Territories or any of them shall be referred by the Company to VS Berhad on a timely basis, respectively.

The Territorial Agreement was entered into more than 15 years ago, and the practice in Hong Kong in connection with managing competition between a Hong Kong listed issuer and its controlling shareholder(s) has been evolving ever since. To align with market practice and to seize the ever-changing opportunities, the Company considers desirable to amend the existing non-competition undertakings under the Territorial Agreement to establish mechanisms for parties to deal with different business opportunities in a systematic way, with an aim to further promote the synergy between the Group and the Berhad Group.

On 1 June 2018, the Company and VS Berhad entered into the Supplemental Territorial Agreement to amend the Territorial Agreement to allow:

(i) the Company, its subsidiaries or its close associate(s) (as appropriate) (other than the Berhad Group) for investment purpose, purchase not more than 10% equity interest in other companies whose business competes or is likely to compete with the Business of the Berhad Group in the Berhad Territories or any of them subject to certain restrictions;

(ii) the Company to pursue a VS New Business Opportunity in respect of Products in the Berhad Territories or any of them subject to certain restrictions and an option in favour of VS Berhad over the business subsequently developed by the Company;

(iii) VS Berhad, its subsidiaries or its close associate(s) (other than the Group) (as appropriate) for investment purpose, purchase not more than 10% equity interest in other companies whose business competes or is likely to compete with the Business of the Group in the VS Territories or any of them subject to certain restrictions; and

(iv) VS Berhad to pursue a Berhad New Business Opportunity subject to certain restrictions and an option in favour of the Company over the business subsequently developed by VS Berhad.

LISTING RULES IMPLICATIONS

As at the date of this announcement, VS Berhad holds more than 30% of the issued share capital of the Company and thus is a connected person of the Company as defined under the Listing Rules. The entering into of the Supplemental Territorial Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder. Gram Capital has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder.

As Mr. Beh Kim Ling (the controlling shareholder and a director of VS Berhad), Mr. Gan Sem Yam (a brother-in-law of Mr. Beh Kim Ling and a director of VS Berhad), Madam Gan Chu Cheng (the spouse of Mr. Beh Kim Ling and a director of VS Berhad), Mr. Beh Chern Wei (the son of Mr. Beh Kim Ling and a director of VS Berhad), Mr. Gan Tiong Sia (a brother-in-law of Mr. Beh Kim Ling and a director of VS Berhad), Mr. Diong Tai Pew (an independent non-executive director of VS Berhad) and Mr. Tang Sim Cheow (an independent non-executive director of VS Berhad) may be regarded as having a material interest in the Supplemental Territorial Agreement, each of them has abstained from voting on the relevant resolution(s) at the meeting of the Board convened for the purpose of approving the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder.

EGM

The EGM will be held by the Company for the Independent Shareholders to consider and approve the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder by way of ordinary resolution.

A circular containing, among other things, (i) the details of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder; and (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder, will be despatched to the Shareholders in due course.

THE TERRITORIAL AGREEMENT

Reference is made to the Territorial Agreement entered into the Company and VS Berhad on 20 January 2002.

Non-competition undertakings

Pursuant to the Territorial Agreement, VS Berhad has irrevocably and unconditionally undertaken (the "**Berhad Non-competition Undertakings**") to the Company (for itself and for the benefit of the Group) for a term of twenty years commencing from date of listing of the shares of the Company on the Stock Exchange (i.e. 8 February 2002) (the "**Restricted Period**"), it shall not, and shall procure that members of the Berhad Group will not whether directly or indirectly:

(i) carry on, engage or otherwise be involved in the Business or market, sell, distribute, supply or otherwise provide any Product(s) to any person(s) in the VS Territories or any of them;

(ii) market, sell, distribute, supply or otherwise provide any Products to any person(s), or conduct any business which competes or is likely to compete, whether directly or indirectly, with the Business of the Group in the VS Territories or any of them; or

(iii) market, sell, distribute, supply or otherwise provide any Product(s) to any person(s) outside the VS Territories or any of them where it knows that such Product(s) is/are destined to be sold, distributed or supplied for the purpose of commercial exploitation in the VS Territories or any of them.

Pursuant to the Territorial Agreement, the Company has provided reciprocal non-competition undertaking as mentioned above to VS Berhad (for itself and for the benefit of the Berhad Group) in respect of the Business or Products in the Berhad Territories or any of them (the "**VS Non-Competition Undertakings**").

New business opportunities

Pursuant to the Territorial Agreement, VS Berhad has further undertaken that during the Restricted Period, all enquiries and actual or potential business opportunities received by a member of the Berhad Group in relation to the production, manufacture, assembly, sale, distribution, supply and/or provision of the Products in the VS Territories or any of them shall be referred by VS Berhad to the Company on a timely basis and VS Berhad shall provide, and shall procure each member of the Berhad Group will provide, sufficient information to enable the Company or the relevant member of the Group to reach an informed view and assessment on such new business opportunities. The Company has provided reciprocal undertakings to VS Berhad in relation to the new business opportunities in respect of Products in the Berhad Territories or any of them.

AMENDMENTS TO THE TERRITORIAL AGREEMENT

On 1 June 2018, the Company and VS Berhad entered into the Supplemental Territorial Agreement to amend the Territorial Agreement to allow:

(i) the Company, its subsidiaries or its close associate(s) (other than the Berhad Group) (as appropriate) for investment purpose, purchase not more than 10% equity interest in other companies whose business competes or is likely to compete with the Business of the Berhad Group in the Berhad Territories or any of them subject to certain restrictions;

(ii) the Company to pursue a VS New Business Opportunity (as defined below) in respect of Products in the Berhad Territories or any of them subject to certain restrictions and an option in favour of VS Berhad over the business subsequently developed by the Company;

(iii) VS Berhad, its subsidiaries or its close associate(s) (other than the Group) (as appropriate) for investment purpose, purchase not more than 10% equity interest in other companies whose business competes or is likely to compete with the Business of the Group in the VS Territories or any of them subject to certain restrictions; and

(iv) VS Berhad to pursue a Berhad New Business Opportunity (as defined below) subject to certain restrictions and an option in favour of the Company over the business subsequently developed by VS Berhad.

Non-competition undertakings

The VS Non-Competition Undertakings has been amended to provide flexibility for investment purpose. The Company, its respective subsidiaries or its close associate(s) (other than the Berhad Group) (as appropriate) is allowed to purchase for investment purpose of not more than 10% equity interest collectively in other companies (the "**VS Invested Companies**") whose business competes or is likely to compete with the Business of the VS Berhad in the Berhad Territories or any of them. For the avoidance of doubt, the provision above does not apply to such VS Investment Companies which the Company, its subsidiaries or its close associate(s) (other than the Berhad Group) (as appropriate) are (i) able to control their respective board of directors; or (ii) collectively, the single largest shareholder of such

VS Investment Companies, notwithstanding the fact that not more than 10% of the equity interests collectively of such VS Investment Companies are held by the Company, its subsidiaries or its close associate (other than the Berhad Group) (as appropriate). The Berhad Non-Competition Undertakings has also been amended to allow purchase for investment purpose of not more than 10% equity interest collectively in other companies (the "**Berhad Invested Companies**") whose business competes or is likely to compete with the Business of the Company in the VS Territories or any of them.

New business opportunities

Under the Supplemental Territorial Agreement, so long as VS Berhad directly or indirectly holds 30% or more of the voting power at general meetings of the Company from time to time or is otherwise regarded as a controlling shareholder of the Company, VS Berhad hereby irrevocably and unconditionally undertakes to the Company (for itself and for the benefit of the members of the Group) that during the Restricted Period, if VS Berhad and/or its subsidiaries and/or its close associate(s) (as appropriate) (other than the Group) (the "**Offeror**") is given or identified or offered any business investment or commercial opportunity (excluding the Berhad Invested Companies) (the "**Berhad New Business Opportunities**"), it will and will procure its close associate(s) to refer the Berhad New Business Opportunities to the Company as soon as practicable. The Offeror is allowed to pursue the Berhad New Business Opportunities only if (i) the Offeror has received a notice from the Company declining such Berhad New Business Opportunities or confirming such Berhad New Business Opportunities would not constitute competition with the Business of the Group in the VS Territories or any of them; or (ii) the Offeror has not received such notice from the Company within 10 business days from the Company's receipt of the offer notice. For the avoidance of doubt, if the Offeror is allowed to pursue such Berhad New Business Opportunities, all existing or future orders from existing customers of the business invested shall be retained by the Offeror.

Upon receipt of the written notice of any Berhad New Business Opportunities, the Company will seek opinions and decisions from independent non-executive Directors who do not have a material interest in the manner as to whether (a) such Berhad New Business Opportunities would constitute competition with the Business of the Group in the VS Territories or any of them; or (b) it is in the interest of the Company and the Shareholders as a whole to pursue the Berhad New Business Opportunities.

Option for acquisitions

VS Berhad has further undertaken to grant, or shall use its best efforts to procure its subsidiaries and/or its close associate(s) (as appropriate) (other than the Group) to grant the Company an option, which is exercisable during the Restricted Period, subject to applicable laws and regulations and third party pre-emptive right, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business subsequently developed from the Berhad New Business Opportunity (the "**Berhad New Business**"), or to operate the Berhad New Business by way of, including but not limited to, management, outsourcing, lease or subcontracting, at a consideration to be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer (selected by both VS Berhad and the Company). If there is any third party pre-emptive right, VS Berhad shall use its best efforts to procure the third party to waive its pre-emptive right.

Pre-emptive right

VS Berhad has further undertaken to undertake that during the Restricted Period, if it intends to transfer, sell, lease, license or otherwise permit to use, to a third party the Berhad New Business, VS Berhad or its subsidiaries or any of its close associate(s) (other than the Group) (as appropriate) (the "**Seller**") shall notify the Company by written notice (the "**Selling Notice**") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or licence and any information which may be reasonably required by the Company. The Seller has undertaken that until it receives the reply from the Company, it shall not notify any third party of the intention to transfer, sell, lease or license the Berhad New Business. If (i) the Company decides not to exercise its pre-emptive right; (ii) the Company not reply within the agreed time period; or (iii) if the Company does not accept the terms as set out in the Selling Notice and issues to VS Berhad a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to the Seller following negotiation between the parties under the fair and reasonable principle, the Seller is entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

Undertakings by the Company

Under the Supplemental Territorial Agreement, the Company has provided reciprocal undertakings to VS Berhad in relation to any business investment or commercial opportunity (excluding the VS Invested Companies) (the "**VS New Business Opportunities**") and granted the options and pre-emptive rights to VS Berhad in relation to new business developed from VS New Business Opportunities.

General

Save as disclosed above, there is no other change to the remaining material terms of the Territorial Agreement.

Conditions precedent

The Proposed Amendments shall become effective upon the following conditions being fulfilled:

(a) the Independent Shareholders having approved the Supplemental Territorial Agreement in accordance with the applicable requirements under the Listing Rules; and

(b) any other consents, approvals, or authorisations (if any) as may be required under the law or applicable rules and regulations of governmental or regulatory authorities, including the Stock Exchange having been obtained or granted.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL TERRITORIAL AGREEMENT

The Territorial Agreement was entered into more than 15 years ago, and the practice in Hong Kong in connection with managing competition between a Hong Kong listed issuer and its controlling shareholder(s) has been evolving ever since. At present, it is not uncommon that a controlling shareholder of a company listed on the Stock Exchange be permitted, under the non-competition arrangement between itself and the listed issuer, to pursue new business opportunity provided that interests of the Company and the Shareholders are protected. For example, new business opportunities may be attractive and beneficial to an issuer in a long term. However, the issuer may be exposed to higher risks if it pursues such new business opportunity at an early stage, or the issuer may not have the necessary resources to pursue it at the time when such new business opportunity arises. In such cases, the controlling shareholder of the issuer may be permitted under the non-competition agreement to pursue such new business opportunity after the issuer has declined such opportunity. The controlling shareholder may grant a pre-emptive right or call option to the issuer so that the issuer may determine whether to request its controlling shareholder to transfer such new business opportunity to the issuer at an appropriate time in the future. Such arrangement is designed to strike a balance between restricting undue competition between the listed issuer and its controlling shareholder on the one hand, and providing flexibility in pursuing new business opportunity by the controlling shareholder and, ultimately, by the listed issuer on the other hand. To align with market practice and to seize the ever-changing opportunities, the Company considers desirable to amend the existing non-competition undertakings under the Territorial Agreement to establish mechanisms for parties to deal with different business opportunities in a systematic way, with an aim to further promote the synergy between the Group and the Berhad Group.

Under the Supplemental Territorial Agreement, the Group is also allowed to purchase for investment purpose of not more than 10% equity interests in VS Invested Companies; and also to pursue new business opportunities in Berhad Territories, subject to similar conditions as with VS Berhad, which will give the Group flexibility in its business development and also to seize business opportunities when it arises.

Based on the above, the Directors (excluding the member of the Independent Board Committee whose view will be given after taking into account the advice from Gram Capital) believe that under the Supplemental Territorial Agreement, the Group is given the flexibility to invest in and to seize business opportunities in the Berhad Territories and there are sufficient measures in place to protect the Company's interest from the potential competition from the Berhad New Business. The Proposed Amendments could also enhance the procedures of referring new business opportunities relating between the Group and Berhad Group and are in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, VS Berhad holds more than 30% of the issued share capital of the Company and thus is a connected person of the Company as defined under the Listing Rules. The entering into of the Supplemental Territorial Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder. Gram Capital has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder.

As Mr. Beh Kim Ling (the controlling shareholder and a director of VS Berhad), Mr. Gan Sem Yam (a brother-in-law of Mr. Beh Kim Ling and a director of VS Berhad), Madam Gan Chu Cheng (the spouse of Mr. Beh Kim Ling and a director of VS Berhad), Mr. Beh Chern Wei (the son of Mr. Beh Kim Ling and a director of VS Berhad), Mr. Gan Tiong Sia (a brother-in-law of Mr. Beh Kim Ling and a director of VS Berhad), Mr. Diong Tai Pew (an independent non-executive director of VS Berhad) and Mr. Tang Sim Cheow (an independent non-executive director of VS Berhad) may be regarded as having a material interest in the Supplemental Territorial Agreement, each of them has abstained from voting on the relevant resolution(s) at the meeting of the Board convened for the purpose of approving the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder.

INFORMATION RELATING TO THE PARTIES

Information relating to the Group

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

Information relating to VS Berhad

VS Berhad is a company incorporated under the laws of Malaysia whose shares are listed on the Main Market of the Bursa Malaysia Securities Berhad. The Berhad Group is principally involved in the manufacturing, assembling and sale of electronic and plastic moulded products, components and parts.

EGM

The EGM will be held by the Company for the Independent Shareholders to consider and approve the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder by way of ordinary resolution.

A circular containing, among other things, (i) the details of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder; and (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder will be despatched to the Shareholders in due course.

As at the date of this announcement, VS Berhad has a material interest in the Supplemental Territorial Agreement and the Proposed Amendments. VS Berhad and its associates will abstain from voting on the ordinary resolution approving the Supplemental Territorial Agreement and the Proposed Amendments contemplated thereunder which will be taken on a poll as required under Rule 14A.36 of the Listing Rules at the EGM.

DEFINITION

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Berhad Group"	VS Berhad and its subsidiaries from time to time, excluding members of the Group; and "member(s) of the Berhad Group" shall be construed accordingly
"Berhad Territories"	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
"Business"	the business of the production and sale of plastic moulded products and parts, assembling of electronic products and mould design and fabrication or any of them
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"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
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of approving, among others, the Supplemental Territorial Agreement and the Proposed Amendments
"Gram Capital"	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments

"Group"	the Company and its subsidiaries; "member(s) of the Group" shall be construed accordingly
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising Ms. Fu Xiao Nan, the only independent non-executive Director who does not have a material interest in the Supplemental Territorial Agreement, and formed to advise the Independent Shareholders in respect of the Supplemental Territorial Agreement and the Proposed Amendments
"Independent Shareholders"	the Shareholders, other than VS Berhad and its associate(s), if any
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Products"	all types of products produced, manufactured and/or assembled by a member of the Berhad Group or that of the Group, as the case may be, in connection with the Business from time to time
"Proposed Amendments"	the proposed amendments to the Territorial Agreement as agreed by the Company and VS Berhad in the Supplemental Territorial Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Territorial Agreement"	the supplemental agreement to the Territorial Agreement
"Territorial Agreement"	the territorial agreement entered into between the Company and VS Berhad on 20 January 2002 in relation to the non-competition undertakings given by each of the Company and VS Berhad to avoid potential or actual competition

"VS Berhad"	V.S. Industry Berhad, a company incorporated under the laws of Malaysia whose shares are listed on the Main Market of the Bursa Malaysia Securities Berhad and a controlling shareholder of the Company
"VS Territories"	Hong Kong, Taiwan and the PRC
"%"	per cent.

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

Zhuhai, the PRC, 1 June 2018

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

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

Independent non-executive Directors:
Mr. Diong Tai Pew
Mr. Tang Sim Cheow
Ms. Fu Xiao Nan

Non-executive Director:
Mr. Gan Tiong Sia