

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 this announcement.



V.S. INTERNATIONAL GROUP LIMITED

威 鉞 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that VS (Zhuhai) and VSI Zhuhai, which are indirect wholly-owned subsidiaries of the Company, entered into the Master Processing Agreement with Zhuhai Xinke on 28 November 2018.

Pursuant to the Master Processing Agreement, VS (Zhuhai) and VSI Zhuhai have agreed to engage Zhuhai Xinke for the provision of processing services, being colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the Master Processing Agreement. The quantity, specification and price of the processing services to be provided by Zhuhai Xinke under the Master Processing Agreement will be subject to individual orders placed by VS (Zhuhai) and VSI Zhuhai with Zhuhai Xinke.

Zhuhai Xinke is wholly-owned by BKH International Co., Limited, which is a company incorporated in Hong Kong and is wholly-owned by Mr. K.H. Beh. Mr. K.H. Beh is a brother of Mr. Beh, an executive Director and the Chairman of the Company. Mr. Beh does not have any direct or indirect interest in Zhuhai Xinke and cannot control the composition of a majority of the board of directors of Zhuhai Xinke. Save as mentioned above, Mr. Beh does not have any other relationship with Zhuhai Xinke.

Pursuant to Rule 14A.07 of the Listing Rules, Mr. Beh, being a Director, is a connected person of the Company. Pursuant to Rule 14A.12(2) of the Listing Rules, Mr. K.H. Beh, brother of Mr. Beh, is an associate of Mr. Beh. In view of such relationships and the transactions contemplated under the Master Processing Agreement, Zhuhai Xinke is deemed to be a connected person of the Company under the Listing Rules by the Stock Exchange. Accordingly, the transactions pursuant to the Master Processing Agreement are deemed to be continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

It is currently expected that as the capped amount of the processing arrangement between VS (Zhuhai), VSI Zhuhai and Zhuhai Xinke for each of the three financial years ending 31 July 2021 will be more than HK\$3 million and each of the applicable percentage ratios of the transactions is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

As disclosed in the announcement of the Company dated 30 October 2015 (“**Announcement**”), each of VS (Zhuhai) and VSI Zhuhai, which are indirect wholly-owned subsidiaries of the Company, entered into a master processing agreement with Zhuhai Xinke for colouration of plastic resin material and modification of chemical structure of plastic resin from 1 August 2012 to 31 July 2018 (both days inclusive). Such master processing agreement as set out in the Announcement expired on 31 July 2018.

The Board announces that VS (Zhuhai) and VSI Zhuhai entered into the Master Processing Agreement with Zhuhai Xinke on 28 November 2018.

MASTER PROCESSING AGREEMENT

Date

28 November 2018

Parties

Customers: (i) VS (Zhuhai); and
(ii) VSI Zhuhai

Processing agent: Zhuhai Xinke

Processing arrangement

Pursuant to the Master Processing Agreement, VS (Zhuhai) and VSI Zhuhai have agreed to engage Zhuhai Xinke for the provision of processing services, being colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the Master Processing Agreement. The quantity, specification and price of the processing services to be provided by Zhuhai Xinke under the Master Processing Agreement will be subject to individual orders placed by VS (Zhuhai) and VSI Zhuhai with Zhuhai Xinke. The prices payable by VS (Zhuhai) and VSI Zhuhai for the processing services will be agreed between VS (Zhuhai), VSI Zhuhai and Zhuhai Xinke with reference to the prevailing market prices of the processing services at the relevant time.

According to the Master Processing Agreement, VS (Zhuhai) and VSI Zhuhai shall settle the processing fees payable under the orders placed by them within 60 days after each calendar month.

Term

From 1 August 2018 to 31 July 2021 (both days inclusive)

Annual capped amounts

The Group has been engaging Zhuhai Xinke for the provision of colouration of plastic resin material and modification of chemical structure of plastic resin since 2009. As disclosed in the Announcement, the expected annual capped amount of the processing fees payable by VS (Zhuhai) and VSI Zhuhai to Zhuhai Xinke for each of the three financial years ended 31 July 2018 was HK\$9,800,000.

The actual amount of processing fees paid by VS (Zhuhai) and VSI Zhuhai to Zhuhai Xinke for each of the three financial years ended 31 July 2018 was approximately HK\$7,353,000, HK\$8,351,000 and HK\$8,180,000 respectively.

The following table sets out the expected annual capped amounts of the processing fees payable by VS (Zhuhai) and VSI Zhuhai to Zhuhai Xinke from 1 August 2018 to 31 July 2021:

	Year ending 31 July		
	2019	2020	2021
Expected amount of processing fees payable to Zhuhai Xinke	HK\$9,800,000	HK\$9,800,000	HK\$9,800,000

The expected annual capped amounts of the processing fees from 1 August 2018 to 31 July 2021 are determined with reference to the transaction amounts of the processing arrangement between VS (Zhuhai), VSI Zhuhai and Zhuhai Xinke from 1 August 2015 to 31 July 2018, the quantity of the materials which are required to be recycled as requested by VS (Zhuhai) and VSI Zhuhai, the estimated order based on the production requirements of VS (Zhuhai) and VSI Zhuhai, and the expected production of plastic moulded components and parts of VS (Zhuhai) and VSI Zhuhai.

Reasons for the Continuing Connected Transactions

The Group is principally engaged in the production and sales of plastic moulded products and parts, assembly of electronic products and mould design and fabrication. VS (Zhuhai) is principally engaged in manufacturing and selling of plastic moulded products and parts and moulds design and fabrication. VSI Zhuhai is principally engaged in manufacturing, assembling and selling of plastic moulded products and parts. Zhuhai Xinke is principally engaged in the production and sales of plastic materials.

The process of colouration of plastic resin materials and modification of chemical structure of plastic resin would enhance the quality of the finished goods. However, VS (Zhuhai) and VSI Zhuhai do not have the necessary machinery and skilled labour for such processes. For these reasons, VS (Zhuhai) and VSI Zhuhai have been outsourcing the processes. As Zhuhai Xinke is located in Zhuhai which is in closer proximity to the Group's production facilities, the Directors consider that it is more convenient and in the interest of the relevant companies to engage Zhuhai Xinke for the provision of processing services.

The Group maintains an internal price list (the "**Price List**") for the engagement of processing agents for the provision of processing services, including colouration of plastic resin material and modification of chemical structure of plastic resin. The Price List, which is reviewed by the finance manager of the Group on a half-yearly basis, is determined based on the quotations obtained from three processing agents by the Group's purchase department. The Group's purchase department will compare and negotiate terms of quotations with the processing agents and rely on its industry expertise in selecting processing agents, taking into consideration the price quotations, product quality, relevant experience of the processing agents and their track record of meeting technical specifications and delivery schedules. A committee, comprising the department head of the Group's purchase department, the finance manager and the general manager of the Group, will review and approve the selection of the processing agent on a half-yearly basis.

Further, the internal audit department of the Group carries out the on-going monitoring of all continuing connected transactions of the Group. In respect of the continuing connected transactions of the Group, the main responsibilities of the internal audit department include, among others, (i) gathering information for disclosure of such transaction pursuant to the Listing Rules; and (ii) monitoring of pricing procedures for such transactions to ensure prices to be determined are on normal commercial terms. The internal audit department of the Group will report, among others, the monetary amount of the continuing connected transactions of the Group and findings on the pricing procedures for such transactions to the audit committee of the Company on a half-yearly basis.

Taking into account (i) the internal monitoring measures as set out above; (ii) the processing fees payable to Zhuhai Xinke under the Master Processing Agreement will be agreed between VS (Zhuhai) and VSI Zhuhai and Zhuhai Xinke with reference to the prevailing market prices of the processing services at the relevant time; (iii) the Group is not obliged to engage Zhuhai Xinke for the provision of processing services under the Master Processing Agreement on terms and conditions that are less favourable to the Group than those agreed between the Group and other third parties independent of the Group and connected persons of the Group; and (iv) the independent non-executive Directors will review, among others, whether the transactions contemplated under the Master Processing Agreement are conducted on normal commercial terms, the Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of the Master Processing Agreement were negotiated between the parties to it on an arm's length basis and are normal commercial terms that are fair and reasonable;
- (b) the expected annual capped amounts of the processing arrangement from 1 August 2018 to 31 July 2021 as referred to above are fair and reasonable; and

- (c) the Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of VS (Zhuhai) and VSI Zhuhai and in the interests of the Company and its shareholders as a whole.

GENERAL

Zhuhai Xinke is wholly-owned by BKH International Co., Limited, which is a company incorporated in Hong Kong and is wholly-owned by Mr. K.H. Beh. Mr. K.H. Beh is a brother of Mr. Beh, an executive Director and the Chairman of the Company. Mr. Beh does not have any direct or indirect interest in Zhuhai Xinke and cannot control the composition of a majority of the board of directors of Zhuhai Xinke. Save as mentioned above, Mr. Beh does not have any other relationship with Zhuhai Xinke.

Pursuant to Rule 14A.07 of the Listing Rules, Mr. Beh, being a Director, is a connected person of the Company. Pursuant to Rule 14A.12(2) of the Listing Rules, Mr. K.H. Beh, brother of Mr. Beh, is an associate of Mr. Beh. In view of such relationships and the transactions contemplated under the Master Processing Agreement, Zhuhai Xinke is deemed to be a connected person of the Company under the Listing Rules by the Stock Exchange. Accordingly, the transactions pursuant to the Master Processing Agreement are deemed to be continuing connected transactions for the Company under Chapter 14A of the Listing Rules. In view of the above, Mr. Beh, Madam Gan Chu Cheng and Mr. Beh Chern Wei have abstained from voting in respect of the Board resolutions for approving the Continuing Connected Transactions.

It is currently expected that as the capped amount of the processing arrangement between VS (Zhuhai), VSI Zhuhai and Zhuhai Xinke for each of the three financial years ending 31 July 2021 will be more than HK\$3 million and each of the applicable percentage ratios of the transactions is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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”	has the meaning ascribed to it under the Listing Rules

“Continuing Connected Transactions”	the continuing connected transactions between VS (Zhuhai), VSI Zhuhai and Zhuhai Xinke under the Master Processing Agreement
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Processing Agreement”	the master processing agreement dated 28 November 2018 and entered into between VS (Zhuhai), VSI Zhuhai and Zhuhai Xinke in relation to the Continuing Connected Transactions
“Mr. Beh”	Mr. Beh Kim Ling, an executive Director and the Chairman of the Company
“Mr. K.H. Beh”	Mr. Beh Kim Hun, brother of Mr. Beh who is an executive Director and the Chairman of the Company, the brother-in-law of Madam Gan Chu Cheng and the uncle of Mr. Beh Chern Wei, both are executive Directors
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VS (Zhuhai)”	V.S. Technology Industry Park (Zhuhai) Co., Ltd., a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“VSI Zhuhai”	V.S. Industry (Zhuhai) Co., Ltd., a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Zhuhai Xinke”	珠海鑫科高分子材料有限公司 (Zhuhai Xinke Polymer Material Co., Ltd.*), (formerly known as 珠海科杰高分子材料有限公司 (Zhuhai Kejie Polymer Material Co., Ltd.*)), a wholly foreign owned enterprise established in the PRC
“%”	per cent.

List of Directors as at the date of this announcement:

Executive Directors:

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

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

Zhuhai, the PRC, 28 November 2018

* *The English translation of the Chinese names of the relevant companies are for identification purposes only, and should not be regarded as the official English translation of such names.*