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## **V.S. INTERNATIONAL GROUP LIMITED**

**威 鉞 國 際 集 團 有 限 公 司**

*(incorporated in the Cayman Islands with limited liability)*

**(stock code: 1002)**

### **CONTINUING CONNECTED TRANSACTIONS CONCERNING SALE OF MOULDS AND PLASTIC MOULDED PRODUCTS AND PARTS**

Reference is made to the announcement of the Company dated 12 May 2014. Pursuant to the Master Supply Agreement, the Group has agreed to sell, and the VS Berhad Group has agreed to purchase, the Products (i.e. moulds designed and fabricated by the Group and certain plastic moulded products and parts manufactured by the Group) from the Group during the term of the Master Supply Agreement. The Master Supply Agreement expired on 31 July 2017.

The Board is pleased to announced that on 18 January 2019, the Company (for itself and on behalf of other members of the Group) entered into the New Master Supply Agreement with VS Berhad (for itself and on behalf of the other members of VS Berhad Group) to ensure continual supply of the Products by the Group to VS Berhad Group for the period from 18 January 2019 to 31 July 2021.

#### **IMPLICATIONS UNDER THE LISTING RULES**

VS Berhad holds approximately 43.34% of the issued share capital of the Company as at the date of this announcement and is the controlling shareholder of the Company. Accordingly, VS Berhad is a connected person of the Company and the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the proposed caps under the Continuing Connected Transactions 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 and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 12 May 2014. Pursuant to the Master Supply Agreement, the Group has agreed to sell, and the VS Berhad Group has agreed to purchase, the Products (i.e. moulds designed and fabricated by the Group and certain plastic moulded products and parts manufactured by the Group) from the Group during the term of the Master Supply Agreement. The Master Supply Agreement expired on 31 July 2017.

The Approved Caps under the Master Supply Agreement for each of the three years ended 31 July 2017 were HK\$40,000,000, HK\$50,000,000 and HK\$60,000,000, respectively. For the three years ended 31 July 2017, the sale of the Products by the Group to the VS Berhad Group amounted to approximately HK\$13,924,000, HK\$1,593,000 and HK\$2,109,000 respectively. The Approved Caps were not exceeded during the three years ended 31 July 2017.

Upon the expiration of the Master Supply Agreement, the Group continued to supply the Products to the VS Berhad Group. The sale of the Products amounted to approximately HK\$796,000 for the year ended 31 July 2018 and constitutes *de minimis* continuing connected transaction for the Company under Rule 14A.76 of the Listing Rules.

## **THE NEW MASTER SUPPLY AGREEMENT**

The Board is pleased to announced that on 18 January 2019, the Company (for itself and on behalf of other members of the Group) entered into the New Master Supply Agreement with VS Berhad (for itself and on behalf of the other members of VS Berhad Group) to ensure continual supply of the Products by the Group to VS Berhad Group for the period from 18 January 2019 to 31 July 2021, unless terminated earlier by three months' written notice by either party.

### **Principal terms of New Master Supply Agreement**

Pursuant to the New Master Supply Agreement, the Group has agreed to sell, and the VS Berhad Group has agreed to purchase, moulds designed and fabricated by the Group and certain plastic moulded products and parts manufactured by the Group during the term of the New Master Supply Agreement. The actual amount, specification and price of moulds and plastic moulded products and parts to be supplied under the New Master Supply Agreement will be subject to individual orders placed by the VS Berhad Group with the Group.

The Group and the VS Berhad Group have acknowledged under the New Master Supply Agreement that:

- (a) the supply of moulds and plastic moulded products and parts under the New Master Supply Agreement will be on normal commercial terms and the prices payable by VS Berhad Group for the moulds and plastic moulded products and parts will be agreed between the parties by reference to the prevailing market prices of moulds and plastic moulded products and parts at the relevant time; and

- (b) the Group shall not be obliged to accept any order from VS Berhad Group for moulds and plastic moulded products and parts on terms and conditions that are less favourable to the Group than those agreed between the Group and its other customers that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are Independent Third Parties.

The payment terms for moulds and plastic moulded products and parts will be contained in the purchase order for each order to be placed under the New Master Supply Agreement.

According to current practice for the transactions under the Master Supply Agreement:

- (a) for moulds, an upfront payment of not more than 50% of the purchase price is required while the balance is to be settled upon delivery of the completed moulds;
- (b) for plastic moulded products and parts, a credit term of 30 days after the delivery of the products is granted; and
- (c) for moulds and plastic moulded products and parts, the purchase price is settled by telegraphic transfer.

***Term***

From 18 January 2019 to 31 July 2021

***Caps for the continuing connected transactions***

The following table sets out the expected capped amounts of sales of Products from the Group to VS Berhad Group for each of the three years ending 31 July 2021:

	<b>2019</b>	<b>Year ending 31 July 2020</b>	<b>2021</b>
	HK\$9,800,000	HK\$9,800,000	HK\$9,800,000

The aforesaid caps are determined by reference to the following considerations:

- (a) the expected annual capped amount for each of the three years ending 31 July 2021 is determined by the estimated amount of orders to be placed by VS Berhad Group based on the production plan provided by its customers as at the date of the New Master Supply Agreement; and
- (b) it is expected that there will be an increase in the orders placed by VS Berhad Group with the Group in contemplation of new customers which may be secured by VS Berhad Group.

## **Reasons for the continuing connected transactions**

The Group is principally engaged in the manufacturing and sale of plastic moulded products and parts, assembling of electronic products and mould design and fabrication. VS Berhad Group is principally involved in the manufacturing, assembling and sale of electronic and plastic moulded products, components and parts. The Group has been selling moulds designed and fabricated, and plastic moulded products and parts manufactured, by the Group to the VS Berhad Group since 2000. The supply of moulds and plastic moulded products and parts by the Group to VS Berhad Group will continue to be conducted in the ordinary and usual course of business of the Group.

The Directors are of the view that the New Master Supply Agreement (including the capped amounts for the three years ending 31 July 2021) are fair and reasonable, and that the terms of the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

## **Implications under the Listing Rules**

VS Berhad holds approximately 43.34% of the issued share capital of the Company as at the date of this announcement and is the controlling shareholder of the Company. Accordingly, VS Berhad is a connected person of the Company and the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the proposed caps under the Continuing Connected Transactions 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 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:

“Approved Caps”	the annual caps for the continuing connected transactions under the Master Supply Agreement for the three financial years ended 31 July 2017, as stated in the announcement of the Company dated 12 May 2014
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	V.S. International Group Limited (威鉞國際集團有限公司), 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

“Continuing Connected Transactions”	the continuing connected transactions under the New Master Supply Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	party or parties and its/their ultimate beneficial owner(s) who is/are third party/parties independent of the Group and connected persons of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master sale and purchase agreement dated 12 May 2014 and entered into between the Company (for itself and on behalf of the other members of the Group) and VS Berhad (for itself and on behalf of the other members of VS Berhad Group) in relation to the purchase of Products by VS Berhad Group from the Group for the term commencing from 1 August 2014 and ending 31 July 2017
“New Master Supply Agreement”	the new master sale and purchase agreement dated 18 January 2019 and entered into between the Company (for itself and on behalf of the other members of the Group) and VS Berhad (for itself and on behalf of the other members of VS Berhad Group) in relation to the purchase of Products by VS Berhad Group from the Group for the term commencing from 18 January 2019 and ending 31 July 2021
“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
“Products”	moulds, plastic moulded products and parts manufactured and/or supplied by the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Berhad Group”	collectively, VS Berhad and its subsidiaries and associated companies (excluding any member of the Group) from time to time

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, 18 January 2019