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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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



THE ACQUISITION

The Board is pleased to announce that on 21 February 2024 (after trading hours), V.S. Holding and B&E entered into the Sale and Purchase Agreement pursuant to which V.S. Holding has conditionally agreed to acquire and B&E has conditionally agreed to sell the Sale Shares, being approximately 43.29% of the issued share capital of the Target Company, at the Consideration of HK\$69.00 million. The Consideration shall be satisfied by (i) payment in cash of HK\$12.00 million; and (ii) the allotment and issue of Consideration Shares at the issue price of HK\$0.28 per Consideration Share on the Completion Date.

Completion shall take place on the seventh Business Day after which all Conditions Precedent have been fulfilled (or effectively waived) (or any other date as V.S. Holding and B&E may agree in writing).

As at the date of this announcement, the Company indirectly owned approximately 18.74% of the issued share capital of the Target Company through V.S. Holding. Upon Completion, the Company will indirectly own approximately 62.03% of the issued share capital of the Target Company through V.S. Holding. The Target Company will become a non-wholly owned subsidiary of the Company and the financial results of which will be consolidated into the financial statements of the Company.

Pursuant to the Sale and Purchase Agreement, subject to Completion, V.S. Holding has full discretion to purchase all of the then remaining issued shares of the Target Company beneficially and wholly owned by B&E (i.e. 11,710,031 shares, representing approximately 27.61% of the issued share capital of the Target Company as at the date of this announcement) (i.e. the Call Option). The parties shall enter into the Call Option Agreement which sets out, among others, the terms and conditions of the Call Option, at Completion. No premium is required for the grant of the Call Option.

LISTING RULES IMPLICATIONS

Chapter 14 of the Listing Rules

As certain applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements.

As the exercise of the Call Option is at the discretion of V.S. Holding, only premium will be taken into account for the purpose of classification of notifiable transaction on the grant of the Call Option. Given the Call Option was granted at nil consideration, the applicable percentage ratios calculated in accordance with Rule 14.75(1) of the Listing Rules are less than 5% and the grant of the Call Option does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the relevant Listing Rules on the exercise of the Call Option as and when appropriate.

Chapter 14A of the Listing Rules

As at the date of this announcement, B&E was wholly owned by Mr. Beh Kim Siea, brother of Mr. Beh Kim Ling, an executive Director and the chairman of the Board. Accordingly, B&E is an associate of Mr. Beh Kim Ling and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Acquisition would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios in respect of the Acquisition exceed 25%, the Acquisition is subject to reporting, announcement and Independent Shareholders' approval requirements.

As the Call Option will be granted by B&E, a connected person of the Company under Chapter 14A of the Listing Rules, the grant of the Call Option would also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Given the exercise price of the Call Option will be based on the market value of the Target Group to be determined by an independent valuer, it is unable to demonstrate the highest possible monetary value of the exercise price of the Call Option at the time of the grant of the Call Option. Accordingly, the grant of Call Option is subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.79(5) of the Listing Rules.

Pursuant to Rule 14A.79(3) of the Listing Rules, at the time of exercise of the Call Option, the Company will be required to compute the applicable percentage ratios in respect of the exercise of the Call Option, and the Company may be subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, depending on the amount of the applicable percentage ratios.

Pursuant to Rule 14A.79(4) of the Listing Rules, in case of transfer, termination or non-exercise of the Call Option, the Company will be required to treat as if the Call Option has been exercised. Accordingly, the Company will be required to compute the applicable percentage ratios in respect of such transfer, termination or non-exercise of the Call Option, and the Company may be subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, depending on the amount of the applicable percentage ratios.

The Company will comply with the relevant Listing Rules regarding the above as and when appropriate.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Tang Sim Cheow, Ms. Fu Xiao Nan and Mr. Wan Mohd Fadzmi, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the transactions contemplated under the Sale and Purchase Agreement, including the issue of the Consideration Shares and the grant of the Call Option. The Independent Board Committee has approved the appointment of Gram Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Sale and Purchase Agreement, including the issue of the Consideration Shares and the grant of the Call Option.

THE EGM

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the grant of the Call Option. Mr. Beh Kim Ling and his related parties (as disclosed under the paragraph headed “Effect on the shareholding structure of the Company” in this announcement), holding approximately 59.32% of the total issued share capital of the Company in aggregate as at the date of this announcement (i.e. 1,368,555,938 Shares in aggregate), will abstain from voting at the EGM in respect of the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the grant of the Call Option.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to allot, issue and deal in the Consideration Shares. The grant of such specific mandate will be sought from the Independent Shareholders at the EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

As additional time is required to prepare the financial information of the Target Group to be included in the circular, the circular containing, among other things, (i) a letter from the Board containing further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing the view of the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 28 March 2024 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

As Completion is subject to the fulfillment and/or waiver (as the case may be) of the Conditions Precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 21 February 2024 (after trading hours), V.S. Holding and B&E entered into the Sale and Purchase Agreement pursuant to which V.S. Holding has conditionally agreed to acquire and B&E has conditionally agreed to sell the Sale Shares, being approximately 43.29% of the issued share capital of the Target Company, at the Consideration of HK\$69.00 million.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

- Date: 21 February 2024
- Parties: (1) V.S. Holding, as the purchaser; and
(2) B&E, as the vendor.

Conditions Precedent

Completion is subject to and conditional upon the satisfaction or waiver (if applicable) of the following conditions:

- (i) the approval by the Independent Shareholders at the EGM of the Sale and Purchase Agreement and the transactions contemplated hereby (including the issue of the Consideration Shares and the grant of the Call Option), and all other consents and acts required under the Listing Rules (where applicable) having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange (where applicable);
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consideration Shares;
- (iii) all requisite waivers, consents and approvals from (a) the Industrial Zones Authority of Bac Ninh province (Bac Ninh IZA) (being the relevant regulatory authority in Vietnam), and any other relevant governments or regulatory authorities (if required); and (b) other relevant shareholders of the Target Company and any other relevant third parties (if required), in connection with the transactions contemplated by the Sale and Purchase Agreement having been obtained and remaining in full force and effect;
- (iv) V.S Holding being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational, or other aspects that V.S. Holding considers relevant) on the Target Group, their related assets, liabilities, activities, operations, prospects and other status which V.S Holding, its agents or professional advisers think necessary and appropriate to conduct; and
- (v) V.S Holding being satisfied that, from the date of the Sale and Purchase Agreement to Completion, there has not been any Material Adverse Change in respect of any member of the Target Group and as a whole.

V.S Holding may waive any of the Conditions Precedent (other than Conditions Precedent (i) to (iii) above) at its sole and absolute discretion at or before 12:00 noon (Hong Kong time) on the Long Stop Date. If the Conditions Precedent have not been fulfilled in full (or waived, where applicable) on or before 12:00 noon (Hong Kong time) on the Long Stop Date, all rights and obligations of the parties hereunder (other than clauses relating to confidentiality and governing law and jurisdiction under the Sale and Purchase Agreement shall remain in full force and effect) shall cease and terminate, and no party to the Sale and Purchase Agreement shall have any claim against or liability to the other party with respect to any matter referred to in the Sale and Purchase Agreement save for any antecedent breaches of the Sale and Purchase Agreement.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration payable by V.S. Holding for the Sale Shares is HK\$69.00 million. The Consideration shall be satisfied by (i) payment in cash of HK\$12.00 million; and (ii) the allotment and issue of Consideration Shares at the issue price of HK\$0.28 per Consideration Share on the Completion Date.

Basis of the Consideration

The Consideration was arrived at based on normal commercial terms after arm's length negotiation among the parties to the Sale and Purchase Agreement, after taking into account, among others, the preliminary valuation of 43.29% equity value of the Target Group of HK\$69.00 million based on market-based approach as at 30 November 2023 prepared by the Valuer, together with, (i) the well-established business, solid customer base and production capabilities of the Target Group; (ii) the financial performance and prospects of the businesses operated by the Target Group; and (iii) the reasons and benefits of the Acquisition as stated under the paragraph headed "Reasons for and benefits of the Acquisition" in this announcement.

The Consideration Shares and the Issue Price

The Consideration Shares represent (i) approximately 8.82% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there will be no change in the issued share capital of the Company other than the allotment and issue of Consideration Shares).

The issue price of HK\$0.28 per Consideration Share was arrived at after arm's length negotiation among the parties to the Sale and Purchase Agreement after taking into account of, among others, the total equity attributable to owners of the Company and the preliminary valuation on the landed properties of the Group as at 31 July 2023, which represents:

- (i) a premium of approximately 191.67% over the closing price of HK\$0.096 per Share as quoted on the Stock Exchange on 21 February 2024, being the date of the Sale and Purchase Agreement; and

- (ii) a premium of approximately 196.61% over the average of the closing price of HK\$0.0944 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 21 February 2024, being the date of the Sale and Purchase Agreement.

The aggregate nominal value of share capital for the Consideration Shares is approximately HK\$10.18 million. The Consideration Shares, when allotted and issued, will rank pari passu in all aspects with, and having the same rights in all aspects with the other Shares in issue on the date of allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to allot, issue and deal in the Consideration Shares. The grant of such specific mandate will be sought from the Independent Shareholders at the EGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Company has not conducted any issue of equity securities in the past 12 months immediately before the date of this announcement.

Completion

Completion shall take place on the seventh Business Day after which all Conditions Precedent have been fulfilled (or effectively waived) (or any other date as V.S. Holding and B&E may agree in writing).

As at the date of this announcement, the Company indirectly owned approximately 18.74% of the issued share capital of the Target Company through V.S. Holding. Upon Completion, the Company will indirectly own approximately 62.03% of the issued share capital of the Target Company through V.S. Holding. The Target Company will become a non-wholly owned subsidiary of the Company and the financial results of which will be consolidated into the financial statements of the Company.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will be no change in the issued share capital of the Company other than the allotment and issue of the Consideration Shares, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the issue and allotment of the Consideration Shares are set out below for illustrative purposes:

Name of Shareholder	As at the date of this announcement		Immediately after the issue and allotment of the Consideration Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Beh Kim Ling and his related parties				
Mr. Beh Kim Ling (<i>Note 1</i>)	158,904,532	6.89	158,904,532	6.33
V.S. Industry Berhad (<i>Note 2</i>)	1,000,109,963	43.34	1,000,109,963	39.83
Mr. Gan Sem Yam (<i>Note 3</i>)	44,671,395	1.94	44,671,395	1.78
Ms. Gan Chian Yi (<i>Note 4</i>)	39,464,093	1.71	39,464,093	1.57
Mr. Beh Chern Wei (<i>Note 5</i>)	37,111,960	1.61	37,111,960	1.48
Ms. Beh Hwee Sze (<i>Note 6</i>)	30,206,960	1.31	30,206,960	1.20
Ms. Beh Hwee Lee (<i>Note 7</i>)	24,571,961	1.06	24,571,961	0.98
Mr. Gan Tiong Sia (<i>Note 8</i>)	17,215,074	0.75	17,215,074	0.69
Ms. Gan Swu Juan (<i>Note 9</i>)	16,300,000	0.71	16,300,000	0.65
B&E (<i>Note 10</i>)	–	–	203,571,429	8.11
Sub-total (<i>Note 11</i>)	1,368,555,938	59.32	1,572,127,367	62.62
Other Directors				
Mr. Tang Sim Cheow (<i>Note 12</i>)	639,130	0.03	639,130	0.03
Mr. Zhang Pei Yu (<i>Note 13</i>)	2,000	0.00	2,000	0.00
Public Shareholders	938,316,295	40.65	938,316,295	37.35
Total	2,307,513,363	100.00%	2,511,084,792	100.00%

Notes:

- Mr. Beh Kim Ling is an executive Director and the chairman of the Board. He is the brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia, and the father of Mr. Beh Chern Wei, Ms. Beh Hwee Sze and Ms. Beh Hwee Lee.
- V.S. Industry Berhad (“**VS Berhad**”) is the holding company of the Company which is listed on the Main Market of Bursa Malaysia Securities Berhad. Mr. Beh Kim Ling is the executive chairman of VS Berhad and held approximately 9.27% shares of VS Berhad.

- (3) Mr. Gan Sem Yam is a brother-in-law of Mr. Beh Kim Ling, a brother of Mr. Gan Tiong Sia, and an uncle of Mr. Beh Chern Wei, Ms. Beh Hwee Sze and Ms. Beh Hwee Lee.
- (4) Ms. Gan Chian Yi is a daughter of Mr. Gan Sem Yam and a niece of Mr. Beh Kim Ling.
- (5) Mr. Beh Chern Wei is an executive Director. He is a son of Mr. Beh Kim Ling, a nephew of Mr. Gan Sem Yam and Mr. Gan Tiong Sia, and a brother of Ms. Beh Hwee Sze and Ms. Beh Hwee Lee.
- (6) Ms. Beh Hwee Sze is the alternate Director to Mr. Zhang Pei Yu. She is a daughter of Mr. Beh Kim Ling, a niece of Mr. Gan Sem Yam and Mr. Gan Tiong Sia, and a sister of Mr. Beh Chern Wei and Ms. Beh Hwee Lee.
- (7) Ms. Beh Hwee Lee is a daughter of Mr. Beh Kim Ling, a niece of Mr. Gan Sem Yam and Mr. Gan Tiong Sia, and a sister of Mr. Beh Chern Wei and Ms. Beh Hwee Sze.
- (8) Mr. Gan Tiong Sia is a brother-in-law of Mr. Beh Kim Ling, a brother of Mr. Gan Sem Yam, and an uncle of Mr. Beh Chern Wei, Ms. Beh Hwee Sze and Ms. Beh Hwee Lee.
- (9) Ms. Gan Swu Juan is a daughter of Mr. Gan Tiong Sia and a niece of Mr. Beh Kim Ling.
- (10) As at the date of this announcement, B&E was wholly owned by Mr. Beh Kim Siew, brother of Mr. Beh Kim Ling and uncle of Mr. Beh Chern Wei, Ms. Beh Hwee Sze and Ms. Beh Hwee Lee.
- (11) Mr. Beh Kim Ling and his related parties include Mr. Beh Kim Ling, VS Berhad, Mr. Gan Sem Yam, Ms. Gan Chian Yi, Mr. Beh Chern Wei, Ms. Beh Hwee Sze, Ms. Beh Hwee Lee, Mr. Gan Tiong Sia, Ms. Gan Swu Juan and B&E. As Mr. Beh Kim Ling and his related parties are considered to have material interest in the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the grant of the Call Option, they will abstain from voting at the EGM.
- (12) Mr. Tang Sim Cheow is an independent non-executive Director.
- (13) Mr. Zhang Pei Yu is an executive Director.

THE CALL OPTION

Pursuant to the Sale and Purchase Agreement, subject to Completion, V.S. Holding has full discretion to purchase all of the then remaining issued shares of the Target Company beneficially and wholly owned by B&E (i.e. 11,710,031 shares, representing approximately 27.61% of the issued share capital of the Target Company as at the date of this announcement) (i.e. the Call Option). The parties shall enter into the Call Option Agreement which sets out, among others, the terms and conditions of the Call Option, at Completion. No premium is required for the grant of the Call Option.

Exercise period

The Call Option may be exercised by V.S. Holding within the following option periods:

- (a) if the Target Group achieves an audited PAT of US\$3.00 million (equivalent to approximately HK\$23.43 million) or above (“**PAT Target**”) during any financial year on or before 31 July 2026, the Call Option is exercisable by V.S. Holding at any time within 12 months from the Target Group achieving the PAT Target (“**Option Period A**”); or
- (b) if the Target Group fails to achieve the PAT Target during any financial year on or before 31 July 2026, the Call Option is exercisable by V.S. Holding at any time from 1 August 2027 until 31 July 2028 (“**Option Period B**”).

If the Call Option is not exercised within the above option periods, the Call Option shall lapse on the expiry of the Option Period A or the Option Period B (as the case may be) and all rights and obligations of the parties under the Call Option Agreement (other than confidentiality obligations which shall remain in full force and effect) shall cease and terminate, and no party to the Call Option Agreement shall have any claim against or liability to the other party with respect to any matter referred to the Call Option Agreement save for any antecedent breaches of the Call Option Agreement.

Pursuant to Rule 14A.79(4) of the Listing Rules, if the Company decides not to exercise the Call Option by the expiry of the Option Period A or the Option Period B (as the case may be) and allows the Call Option to lapse upon expiry, the Company will be required to treat as if the Call Option has been exercised. Accordingly, the Company will be required to compute the applicable percentage ratios in respect of the non-exercise of the Call Option, and the Company may be subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules, depending on the amount of the applicable percentage ratios. The Company will comply with the relevant Listing Rules as and when appropriate.

Exercise price

The exercise price of the Call Option will be based on the market value of the Target Group to be determined by an independent valuer agreeable to both parties. V.S. Holding shall serve an exercise notice to B&E exercising the Call Option within the Option Period A or the Option Period B (as the case may be). The exercise price of the Call Option shall be fixed at least 10 Business Days before the service of the exercise notice by V.S. Holding.

Pursuant to Rule 14A.79(3) of the Listing Rules, at the time of exercise of the Call Option, the Company will be required to compute the applicable percentage ratios in respect of the exercise of the Call Option. The Company will comply with the relevant Listing Rules and announce the details of the exercise of the Call Option, including but not limited to the amount of the exercise price of the Call Option, as and when appropriate.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) the manufacturing and sale of plastic moulded products and parts (“**Plastic Injection and Moulding**”); (ii) assembling of electronic products (“**Assembling of Electronic Products**”) and (iii) moulds design and fabrication (“**Mould Design and Fabrication**”). The major customers of the Group are located in the PRC. The Group’s main production facility is located at Zhuhai, the PRC.

INFORMATION ON B&E

B&E is an investment holding company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is owned by Mr. Beh Kim Siea, (i) a brother of Mr. Beh Kim Ling who is the chairman of the Board and an executive Director; (ii) an uncle of Mr. Beh Chern Wei, an executive Director; and (iii) an uncle of Ms. Beh Hwee Sze, the alternate Director to Mr. Zhang Pei Yu, an executive Director.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Vietnam in 2006 by Mr. Beh Kim Siea and another shareholder. In 2006, Mr. Beh Kim Siea transferred approximately 18.8% of the then existing issued share capital of the Target Company to V.S. Holding, and the Target Company has been an associated company of the Company since 2006. Mr. Beh Kim Ling, the chairman of the Board and an executive Director, is also the chairman of the Target Company. B&E contributed capital of approximately US\$14.80 million (equivalent to approximately HK\$115.59 million) for approximately 70.90% of the issued share capital of the Target Company. The original acquisition cost of the Sale Shares to B&E was approximately US\$9.03 million (equivalent to approximately HK\$70.53 million).

The Target Company has the same principal business as the Group (i.e. Plastic Injection and Moulding, Assembling of Electronic Products and Mould Design and Fabrication). It holds the title of a piece of land in Vietnam with a site area of over 26,000 square metres with an industrial development, which is used as its current operating production facility (the “**Production Facility**”). As at 30 November 2023, the Production Facility was preliminarily valued at US\$14.53 million (equivalent to approximately HK\$113.49 million) in total. Its major customers include international brands located in Europe and the USA. As at the date of this announcement, the Target Company has one wholly-owned subsidiary, namely VS Technology Company Limited, which is a limited company incorporated in Vietnam and is principally engaged in designing, manufacturing and trading plastic moulds, and providing mould maintenance and repair services.

As at the date of this announcement, the Company indirectly owned approximately 18.74% of the issued share capital of the Target Company through V.S. Holding, while B&E, Mr. Beh Kim Siea and employees of the Target Company owned approximately 70.90%, 0.35% and 1.68% of the issued share capital of the Target Company respectively. The remaining issued share capital of the Target Company was owned by (i) Toyota Tsusho (H.K.) Corporation Limited, a company incorporated in

Hong Kong with limited liability and an independent third party of the Company; (ii) VNT Co., Ltd., a company incorporated in Vietnam with limited liability and an independent third party of the Company; and (iii) the Target Company itself.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, apart from V.S. Holding, B&E, Mr. Beh Kim Siea and certain employees of the Target Company who are relatives of Mr. Beh Kim Ling, all shareholders of the Target Company and their respective ultimate beneficial owners are independent third parties of the Company.

Assuming that there will be no change in the issued share capital of the Target Company, the shareholding structure of the Target Company (i) as at the date of this announcement; (ii) immediately after Completion; and (iii) immediately after the exercise of the Call Option, are set out below for illustrative purposes:

Name of Shareholder	As at the date of this announcement		Immediately after Completion		Immediately after the exercise of the Call Option	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
B&E	30,071,689	70.90	11,710,031	27.61	–	–
V.S. Holding	7,947,700	18.74	26,309,358	62.03	38,019,389	89.64
Toyota Tsusho (H.K.) Corporation Limited	2,280,000	5.37	2,280,000	5.37	2,280,000	5.37
VNT Co., Ltd.	855,000	2.02	855,000	2.02	855,000	2.02
Employees of the Target Company	714,821	1.68	714,821	1.68	714,821	1.68
Mr. Beh Kim Siea	147,700	0.35	147,700	0.35	147,700	0.35
Target Company	397,179	0.94	397,179	0.94	397,179	0.94
Total	42,414,089	100.00%	42,414,089	100.00%	42,414,089	100.00%

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for the two years ended 31 July 2023:

	For the year ended 31 July 2022 <i>(RMB'000)</i>	For the year ended 31 July 2023 <i>(RMB'000)</i>
Net profit before taxation	9,933 <i>(equivalent to approximately to HK\$10,826,970)</i>	12,796 <i>(equivalent to approximately to HK\$13,947,640)</i>
Net profit after taxation	9,711 <i>(equivalent to approximately to HK\$10,584,990)</i>	12,812 <i>(equivalent to approximately to HK\$13,965,080)</i>

The unaudited consolidated net assets value of the Target Group was approximately RMB55.31 million (equivalent to approximately HK\$60.29 million) as at 31 July 2023. As at 30 November 2023, the Target Group was preliminarily valued at HK\$160.00 million based on market-based approach by the Valuer. The Valuer adopted the market-based approach to determine the value of the Target Group, which was based on, among others, the price-earning ratios of comparable companies, instead of the net assets value of the Target Group. As advised by the Valuer, market-based approach is considered a common method when market comparables are available. Market-based approach was therefore adopted as it is considered an appropriate method to reflect a fair and reasonable value of the Target Group given the availability of comparable market data.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group and the Target Group have the same business model and business segments (i.e. Plastic Injection and Moulding, Assembling of Electronic Products and Mould Design and Fabrication), and that they possess the same production technology and technical know-how.

It is expected that the Acquisition could expand the Group's customer base and product offering as an enlarged group, i.e. with the existing Group and the Target Group after the Acquisition (the "**Enlarged Group**"). It could also expand the business reach of the Group to tap into the Vietnam manufacturing market to enjoy the lower labour costs and the favourable development opportunities available to the Target Group and other manufacturers operating in Vietnam, and to diversify the Group's business market.

The Group's major customers are based in the PRC with their targeted market focusing in the PRC. On the other hand, the major customers of the Target Group are more international with more global targeted markets including Asia, Europe and the USA. The Group's current product offering includes the production of plastic injection parts, assembling and/or manufacturing of moulds for electronic pianos, air purifiers and water purifiers. On the other hand, the Target Group's product offering

mainly includes the production of plastic injection parts, assembling and/or manufacturing of moulds for office printers, paper towel dispensers, cutlery dispensers, cup dispensers, portable toilets and medical products.

After the Acquisition, it is expected that the Enlarged Group will have a broader customer base, with both PRC domestic as well as international customers. On the other hand, the Enlarged Group would also have a broader product offering, and the Enlarged Group could utilise its broadened product offering to serve more customers or potential customers with different product requirements.

Moreover, Vietnam has become a major beneficiary of manufacturers' efforts to "de-risk" their exposure as to geopolitical tensions and enjoys foreign trade opportunities by entering into various free trade agreements with various countries. It also enjoys lower labour costs compared to the labour costs in the PRC. After the Acquisition, not only the Enlarged Group will have a broader customer base and product offering, it will also be able to enjoy the favourable business opportunities available to manufacturers in Vietnam and lower labour cost as compared with that in the PRC.

The Enlarged Group will have two production bases with increased production capacities which can cater for demands from different customers or potential customers. It is believed that these can facilitate the business development of the Enlarged Group to attract and capture customers and potential customers with different product requirements, and which wish to diversify their supply chain, lower their overall production costs, or to "de-risk" their exposures to the geopolitical tensions.

It is expected that the Acquisition would expand the Group's business and enrich the Group's income stream, which will be beneficial to the Group and the Shareholders.

The unaudited consolidated net assets value of the Target Group of approximately RMB55.31 million (equivalent to approximately HK\$60.29 million) as at 31 July 2023 only took into account of the book values of the assets owned by the Target Group, which did not reflect the current value of the Target Group and the Sale Shares. The net assets value did not reflect, among others, upward adjustments of assets based on the market value, potential intangible assets (e.g. customer relationship) and goodwill. As disclosed above, market-based approach is considered an appropriate method to reflect a fair and reasonable value of the Target Group. Accordingly, it is considered that the preliminary valuation of the Target Company of HK\$160.00 million as at 30 November 2023 better reflects the market value of the Sale Shares than the net assets value of the Target Group.

Considering the preliminary valuation of the Target Group as at 30 November 2023, together with, (i) the well-established business, solid customer base and production capabilities of the Target Group; (ii) the financial performance and prospects of the businesses operated by the Target Group; and (iii) the reasons and benefits of the Acquisition as stated above, the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders.

Accordingly, the Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) consider that although the transactions contemplated under the Sale and Purchase Agreement, including the grant of the Call Option, are not in the ordinary and usual course of business of the Group, the transactions are on normal commercial terms and are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole.

As (i) Mr. Beh Kim Ling, an executive Director and chairman of the Board, is a brother of Mr. Beh Kim Siea, the sole owner of B&E; (ii) Mr. Beh Chern Wei, an executive Director, is a son of Mr. Beh Kim Ling and a nephew of Mr. Beh Kim Siea; and (iii) Ms. Beh Hwee Sze, the alternate Director to Mr. Zhang Pei Yu (an executive Director), is a daughter of Mr. Beh Kim Ling and a niece of Mr. Beh Kim Siea, they are deemed to be interested in the Sale and Purchase Agreement. Accordingly, Mr. Beh Kim Ling and Mr. Beh Chern Wei have abstained from voting on the relevant board resolutions of the Company. Save as disclosed, none of the Directors has any material interest in the Sale and Purchase Agreement and is required to abstain from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

Chapter 14 of the Listing Rules

As certain applicable percentage ratios in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements.

As the exercise of the Call Option is at the discretion of V.S. Holding, only premium will be taken into account for the purpose of classification of notifiable transaction on the grant of the Call Option. Given the Call Option was granted at nil consideration, the applicable percentage ratios calculated in accordance with Rule 14.75(1) of the Listing Rules are less than 5% and the grant of the Call Option does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the relevant Listing Rules on the exercise of the Call Option as and when appropriate.

Chapter 14A of the Listing Rules

As at the date of this announcement, B&E was wholly owned by Mr. Beh Kim Siea, brother of Mr. Beh Kim Ling, an executive Director and the chairman of the Board. Accordingly, B&E is an associate of Mr. Beh Kim Ling and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Acquisition would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios in respect of the Acquisition exceed 25%, the Acquisition is subject to reporting, announcement and Independent Shareholders' approval requirements.

As the Call Option will be granted by B&E, a connected person of the Company under Chapter 14A of the Listing Rules, the grant of the Call Option would also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Given the exercise price of the Call Option will be based on the market value of the Target Group to be determined by an independent valuer, it is unable to demonstrate the highest possible monetary value of the exercise price of the Call Option at the time of the grant of the Call Option. Accordingly, the grant of Call Option is subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.79(5) of the Listing Rules.

Pursuant to Rule 14A.79(3) of the Listing Rules, at the time of exercise of the Call Option, the Company will be required to compute the applicable percentage ratios in respect of the exercise of the Call Option, and the Company may be subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, depending on the amount of the applicable percentage ratios.

Pursuant to Rule 14A.79(4) of the Listing Rules, in case of transfer, termination or non-exercise of the Call Option, the Company will be required to treat as if the Call Option has been exercised. Accordingly, the Company will be required to compute the applicable percentage ratios in respect of such transfer, termination or non-exercise of the Call Option, and the Company may be subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, depending on the amount of the applicable percentage ratios.

The Company will comply with the relevant Listing Rules regarding the above as and when appropriate.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Tang Sim Cheow, Ms. Fu Xiao Nan and Mr. Wan Mohd Fadzmi, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the transactions contemplated under the Sale and Purchase Agreement, including the issue of the Consideration Shares and the grant of the Call Option. The Independent Board Committee has approved the appointment of Gram Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Sale and Purchase Agreement, including the issue of the Consideration Shares and the grant of the Call Option.

THE EGM

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the grant of the Call Option. Mr. Beh Kim Ling and his related parties (as disclosed under the paragraph headed "Effect on the shareholding structure of the Company" in this announcement), holding approximately 59.32% of the total issued share capital of

the Company in aggregate as at the date of this announcement (i.e. 1,368,555,938 Shares in aggregate), will abstain from voting at the EGM in respect of the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the grant of the Call Option.

As additional time is required to prepare the financial information of the Target Group to be included in the circular, the circular containing, among other things, (i) a letter from the Board containing further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing the view of the Independent Board Committee on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 28 March 2024 in order to allow sufficient time for the Company to prepare the required financial information and other relevant information for incorporating into the circular.

As Completion is subject to the fulfillment and/or waiver (as the case may be) of the Conditions Precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the sale and purchase of the Sale Shares from B&E to V.S. Holding
“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 signal 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 commercial banks are open for business in Hong Kong and Vietnam
“B&E”	B&E Holding Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which was owned by Mr. Beh Kim Siea, a connected person of the Company
“Call Option”	the option granted to V.S. Holding for the acquisition of the then remaining issued shares of the Target Company beneficially and wholly owned by B&E

“Call Option Agreement”	the call option agreement to be entered into between V.S. Holding and B&E, which sets out, among others, the terms and conditions of the Call Option, at Completion
“Call Option Share(s)”	all of the then remaining issued shares of the Target Company beneficially and wholly owned by B&E (i.e. 11,710,031 shares, representing approximately 27.61% of the issued share capital of the Target Company as at the date of this announcement)
“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 Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	means the seventh Business Day after which all Conditions Precedent have been fulfilled (or effectively waived); or any other date as V.S. Holding and B&E may agree in writing
“Conditions Precedent”	the conditions precedent in relation to the sale and purchase of the Sale Shares in accordance with the terms of the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration payable for the Sale Shares under the Sale and Purchase Agreement
“Consideration Share(s)”	203,571,429 Shares to be allotted and issued by the Company to B&E as partial settlement of the Consideration pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to consider and approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the grant of the Call Option
“Group”	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 Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Tang Sim Cheow, Ms. Fu Xiao Nan and Mr. Wan Mohd Fadzmi, established for the purpose of advising the Independent Shareholders in connection with the transactions contemplated under the Sale and Purchase Agreement, including the issue of the Consideration Shares and the grant of the Call Option
“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the Sale and Purchase Agreement, including the issue of the Consideration Shares and the grant of the Call Option
“Independent Shareholder(s)”	the Shareholder(s) other than Shareholders who have a material interest in the resolutions to be passed at the EGM and must abstain from voting on the resolutions under the Listing Rules
“independent third party(ies)”	person(s) who or company(ies) who is/are third party(ies) independent of the Company and its connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2024 or such later date as may be agreed in writing by B&E and V.S. Holding
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business or property, results of operation or prospects of the Target Group as a whole
“PAT”	means profit after tax of the Target Group
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 February 2024 entered into between V.S. Holding and B&E, pursuant to which V.S. Holding conditionally agreed to acquire and B&E conditionally agreed to sell the Sale Shares
“Sale Share(s)”	18,361,658 ordinary shares of VND10,000 (equivalent to approximately HK\$3.18) each of the Target Company beneficially owned by B&E
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	VS Industry Vietnam Joint Stock Company, a joint stock company incorporated in Vietnam and an associated company of the Company
“Target Group”	the Target Company and its subsidiary, namely VS Technology Company Limited
“USA”	the United States of America
“US\$”	United States dollar, the lawful currency of the USA
“Valuer”	Roma Appraisals Limited, an independent valuer engaged by the Company
“Vietnam”	the Socialist Republic of Vietnam
“VND”	Vietnamese dong, the lawful currency of Vietnam
“V.S. Holding”	V.S. Holding Vietnam Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of the Company
“%”	per cent

For the purpose of this announcement, unless otherwise specified, conversions of (i) US\$ into HK\$ are based on the approximate exchange rate of US\$1.00 to HK\$7.8104; (ii) VND into HK\$ are based on the approximate exchange rate of HK\$1.00 to VND3,148.59; and (iii) RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.09.

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

Zhuhai, the People's Republic of China, 21 February 2024

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

Executive Directors:

Mr. Beh Kim Ling
Mr. Beh Chern Wei
Mr. Zhang Pei Yu (*Ms. Beh Hwee Sze as his alternate*)

Independent non-executive Directors:

Mr. Tang Sim Cheow
Ms. Fu Xiao Nan
Mr. Wan Mohd Fadzmi