Table of Contents

Corporate Information

Board of Directors

Executive Directors

Beh Kim Ling
Gan Chu Cheng
Gan Sem Yam
Zhang Pei Yu

Non-executive Director

Gan Tiong Sia

Independent Non-executive Directors

Diong Tai Pew
Cheung Kwan Hung, Anthony

Audit Committee of the Board

Diong Tai Pew
Cheung Kwan Hung, Anthony

Company Secretary

Yan Wing Cheung, *FCCA, AHKSA*
(resigned on 1 November, 2002)
Chong Siew Peng, *ACCA, AHKSA*
(appointed on 1 November, 2002)

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1901-1905, 19th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Auditors

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 G.T.
George Town
Grand Cayman
British West Indies

Principal Place of Business in Hong Kong

4106, 41st Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited
36C Bermuda House
3rd Floor, P.O. Box 513 G.T.
Dr. Roy's Drive
George Town
Grand Cayman
British West Indies

Legal Advisers

Chiu & Partners
Unit 4109, 41st Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Principal Bankers

Malayan Banking Berhad
Citibank N.A.
The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited
UFJ Bank Limited

Members of the Group

V.S. International Industry Limited
P.O. Box 957, Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

V.S. Investment Holdings Limited
Belmont Chambers, P.O. Box 3443
Road Town
Tortola
British Virgin Islands

V.S. Corporation (Hong Kong) Co. Limited ("VSHK")
VSA Holding Hong Kong Co., Limited
V.S. Capital Holdings Limited
Unit 4109, 41st Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Tel. No: (852) 2511 9002
Fax No: (852) 2511 9880

VSHK Factory
V.S. Industry (Shenzhen)
Huangpu Village
Shajin Town
Bao An District
518104 Shenzhen
Guangdong Province
The People's Republic of China

Tel. No: (86) 755 2729 9480
Fax No: (86) 755 2729 7683/9484

V.S. Industry (Shenzhen) Co., Ltd.
Dong Huan Road
Huangpu Village
Shajin Town
Bao An District
518104 Shenzhen
Guangdong Province
The People's Republic of China

Tel. No: (86) 755 2729 9480
Fax No: (86) 755 2724 2763

V.S. Technology Industry Park (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
Beisha Village
Jinding Town
Xiangzhou District
Zhuhai
Guangdong Province
The People's Republic of China

Tel. No: (86) 756 3392 338
Fax No: (86) 756 3385 691/681

HAIVS Industry (Qingdao) Co., Ltd.
No. 1 of Qichangcheng Road
Qingdao Economic and Technology Development Zone
Huangdao District
Qingdao
Shandong Province
The People's Republic of China

Tel. No: (86) 532 6767 885
Fax No: (86) 532 6767 895

V.S. Haier Electronics Plastic (Qingdao) Co., Ltd.
Qianwangang Road South
Haier International Industrial Park
Qingdao Economic and Technology Development Zone
Huangdao District
Qingdao
Shandong Province
The People's Republic of China

Tel. No: (86) 532 6762 188
Fax No: (86) 532 6762 233

Financial Highlights (Unaudited)

	Six months ended 31 January, 2003	2002
Turnover *(HK$'000)*	594,188	408,017
Profit attributable to shareholders *(HK$'000)*	17,739	31,171
Earnings per share *(HK cents)*	2.16	5.03

	At 31 January, 2003	At 31 July, 2002
Total assets *(HK$'000)*	1,086,071	995,760
Net tangible assets *(HK$'000)*	323,017	309,377
Weighted average number of shares *('000)*	820,000	714,301
Net tangible assets per share *(HK cents)*	39.39	43.31

Introduction

The board (the "Board") of directors (the "Directors") of V.S. International Group Limited (the "Company") is pleased to announce the interim financial report of the Company and its subsidiaries (together, the "Group") for the six months ended 31 January, 2003, which has not been audited by the auditors of the Group, KPMG, but has been reviewed by KPMG and the audit committee (the "Audit Committee") of the Board.

Consolidated Income Statement (Unaudited) for the six months ended 31 January, 2003

(Expressed in Hong Kong dollars)

		Six months ended 31 January,	
	Note	2003 $'000	2002 $'000
Turnover	2	594,188	408,017
Cost of sales		(521,351)	(338,363)
		72,837	69,654
Other net (expense)/income		(33)	1,459
Distribution expenses		(10,902)	(9,681)
Administrative expenses		(34,679)	(22,091)
Profit from operations	2	27,223	39,341
Finance costs	3(a)	(10,309)	(8,170)
Profit from ordinary activities before taxation	3	16,914	31,171
Taxation	4	(151)	–
Profit from ordinary activities after taxation		16,763	31,171
Minority interests		976	–
Profit attributable to shareholders	6	17,739	31,171
Interim dividend declared after the balance sheet date	5	–	–
Earnings per share	6		
Basic		2.16 cents	5.03 cents
Diluted		N/A	N/A

The notes on pages 10 to 22 form part of this interim financial report.

Consolidated Balance Sheet (Unaudited)
at 31 January, 2003

(Expressed in Hong Kong dollars)

	Note	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Non-current assets			
Fixed assets	7	468,088	400,032
Construction in progress	8	67,490	55,985
		535,578	456,017
Current assets			
Inventories	9	171,424	160,736
Trade and other receivables	10	206,713	184,384
Pledged deposits with banks	11	84,034	83,709
Cash and cash equivalents	12	88,322	110,914
		550,493	539,743
Current liabilities			
Bank loans and overdrafts	13(a)	311,679	216,863
Current portion of obligations under finance leases	14	5,523	1,939
Trade and other payables	15	261,397	317,595
Taxation	4	151	–
Loan from the ultimate holding company	18(a)	2,446	4,892
		581,196	541,289
Net current liabilities		(30,703)	(1,546)
Total assets less current liabilities		504,875	454,471

Consolidated Balance Sheet (Unaudited) (continued)
at 31 January, 2003
(Expressed in Hong Kong dollars)

	Note	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Non-current liabilities			
Non-current portion of bank loans	13(a)	115,402	82,693
Non-current portion of obligations under finance leases	14	8,297	821
Loan from the ultimate holding company	18(a)	41,579	44,024
Deferred taxation	4(b)	4,705	4,705
		169,983	132,243
Minority interests		11,875	12,851
NET ASSETS		323,017	309,377
CAPITAL AND RESERVES			
Share capital	16	41,000	41,000
Reserves		282,017	268,377
		323,017	309,377

The notes on pages 10 to 22 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited) for the six months ended 31 January, 2003

(Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Foreign exchange translation reserve $'000	Land and buildings revaluation reserve $'000	Statutory reserve fund $'000	Retained profits $'000	Total $'000
At 1 August, 2001	75,000	–	–	120	–	290	95,646	171,056
Profit for the period	–	–	–	–	–	–	31,171	31,171
Dividend approved in respect of the previous year *(note 5(b))*	–	–	–	–	–	–	(30,000)	(30,000)
Capital elimination on consolidation	(75,000)	–	–	–	–	–	–	(75,000)
Premium arising on the issuance of shares by the Company	–	–	71,250	–	–	–	–	71,250
Issuance of shares for the acquisition of subsidiaries	3,750	–	–	–	–	–	–	3,750
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	88	–	–	–	88
Appropriations	–	–	–	–	–	2,884	(2,884)	–
At 31 January, 2002	3,750	–	71,250	208	–	3,174	93,933	172,315
At 1 August, 2002	41,000	63,755	44,000	230	28,665	3,344	128,383	309,377
Profit for the period	–	–	–	–	–	–	17,739	17,739
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	1	–	–	–	1
Dividend approved in respect of the previous year *(note 5(b))*	–	–	–	–	–	–	(4,100)	(4,100)
Appropriations	–	–	–	–	–	3,491	(3,491)	–
At 31 January, 2003	41,000	63,755	44,000	231	28,665	6,835	138,531	323,017

The notes on pages 10 to 22 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited) for the six months ended 31 January, 2003

(Expressed in Hong Kong dollars)

	Six months ended 31 January,	
	2003	2002
	$'000	$'000
Net cash (outflow)/inflow from operating activities	(1,746)	52,971
Net cash outflow from investing activities	(146,805)	(105,737)
Net cash inflow from financing	120,531	50,473
Decrease in cash and cash equivalents	(28,020)	(2,293)
Effect of foreign exchange rates	1	88
Cash and cash equivalents at 1 August	88,938	59,075
Cash and cash equivalents at 31 January	60,919	56,870
Analysis of the balances of cash and cash equivalents:		
Cash and cash equivalents	88,322	86,134
Bank overdrafts	(27,403)	(29,264)
	60,919	56,870

The notes on pages 10 to 22 form part of this interim financial report.

Notes on the Interim Financial Report (Unaudited)
(Expressed in Hong Kong dollars)

1 Basis of presentation

(a) This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants (the "HKSA"). KPMG's independent review report to the Board is included in page 34.

The interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 July, 2002 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 July, 2002 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 September, 2002.

The same accounting policies adopted in the annual financial statements for the year ended 31 July, 2002 have been applied to the interim financial report except as disclosed under note 1(b).

The notes on the interim financial report include an explanation of events and transactions that are significant to all understanding of the changes in financial position and performance of the Group since the 2002 annual financial statements.

The Company was incorporated in the Cayman Islands on 9 July, 2001 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company became the holding company of the subsidiaries on 20 January, 2002 through a reorganisation (the "Reorganisation"). Particulars of the Reorganisation are set forth in the Company's prospectus dated 28 January, 2002 (the "Prospectus").

The Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the interim financial report has been prepared on the basis of merger accounting in accordance with SSAP No. 2.127 "Accounting for Group Reconstructions". On this basis the Company was the holding company of the Group for both periods presented, rather than from 20 January, 2002. In the circumstances, the results of the Group for the six months ended 31 January, 2002 include the results of the Company and its subsidiaries with effect from 1 August, 2001 or since their respective dates of incorporation or establishment, whichever is a shorter period. In the opinion of the Directors, the resulting interim financial report gives a more meaningful view of the report of the Group as a whole.

1 Basis of presentation (continued)

(b) Adoption of new and significant accounting standards in Hong Kong

The following new and significant SSAPs issued by the HKSA, which became effective for accounting period beginning on or after 31 January, 2002, were adopted for preparation of the Group's interim financial report for the six months ended 31 January, 2003:

- SSAP 1 (revised) "Presentation of financial statements"
- SSAP 11 (revised) "Foreign currency translation"

(i) Adoption of SSAP 1 (revised) "Presentation of financial statements"

In order to comply with the revised requirement of SSAP 1 (revised), the Group has adopted the new statement "Consolidated Statement of Changes in Equity" which replaces the "Consolidated Statement of Recognised Gains and Losses" included in previous financial statements.

(ii) Adoption of SSAP 11 (revised) "Foreign currency translation"

In prior periods, the results of foreign enterprises were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. In order to comply with SSAP 11 (revised), the Group translated the results of foreign enterprises at the average exchange rate for the period. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

2 Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

The Group comprises the following main business segments:–

Plastic injection and moulding	:	manufacturing and sales of plastic moulded products and parts
Assembling of electronic products	:	assembling and sales of electronic products
Mould design and fabrication	:	manufacturing and sales of plastic injection moulds

2 Segment information (continued)

(a) Business segments (continued)

	Plastic injection and moulding Six months ended 31 January,		Assembling of electronic products Six months ended 31 January,		Mould design and fabrication Six months ended 31 January,		Inter-segment elimination Six months ended 31 January,		Total Six months ended 31 January,	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Turnover from external customers	276,223	165,657	301,352	224,211	18,197	18,149	(1,584)	-	594,188	408,017
Segment results	43,859	44,680	13,659	11,062	1,502	4,231	-	-	59,020	59,973
Unallocated operating income and expenses									(31,797)	(20,632)
Profit from operations									27,223	39,341
Finance costs									(10,309)	(8,170)
Taxation									(151)	-
Minority interests									976	-
Profit attributable to shareholders									17,739	31,171
Depreciation for the period	13,327	7,489	4,055	4,208	1,786	845	-	-	19,168	12,542
Unallocated depreciation expenses									3,116	2,867
									22,284	15,409

Segment results are before elimination of intra-group transactions and balances, except to the extent that such intra-group transactions and balances are between Group companies within the same segment.

(b) Geographical segments

The Group's business participates in five (2002: five) major economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets. All segment assets and capital expenditures are in the People's Republic of China (the "PRC").

Revenue from external customers is analysed as follows:–

	Six months ended 31 January,	
	2003 $'000	2002 $'000
Hong Kong	313,279	263,122
PRC (other than Taiwan and Hong Kong)	195,081	80,838
Japan	44,094	7,314
South East Asia	23,043	28,935
Taiwan	12,758	27,808
Others	5,933	–
	594,188	408,017

3 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):–

	Six months ended 31 January,	
	2003	2002
	$'000	$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	10,154	6,478
Obligations under finance leases	254	285
Other charges	1,528	1,407
Total borrowing costs	11,936	8,170
Less: Borrowing costs capitalised as construction in progress *	(1,627)	–
	10,309	8,170

* The borrowing costs have been capitalised at an average rate of 5.5 per cent. per annum for construction in progress.

	Six months ended 31 January,	
	2003	2002
	$'000	$'000
(b) Other items:		
Processing fee	15,506	12,165
Depreciation	22,284	15,409
Operating lease charges in respect of properties	5,843	5,283

4 Taxation

Income tax expense in the consolidated income statement (unaudited) represents:–

	Six months ended 31 January,	
	2003	2002
	$'000	$'000
Provision for PRC income tax	151	–

4 **Taxation (continued)**

(a) No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the six months ended 31 January, 2003 and 2002.

Profits for subsidiaries of the Company in the PRC are subject to PRC income tax. Subsidiaries of the Company in the PRC which are foreign investment enterprises are granted certain tax relief, under which they are entitled to income tax exemption for two years commencing from the first profit making year and a 50 per cent. relief from PRC income tax for the following three years, after which the subsidiaries' profits are subject to PRC income tax at the rate of 15 per cent..

Two subsidiaries of the Company were in the third profit making year during the six months ended 31 January, 2003. Provision for the PRC income tax of these subsidiaries was calculated at 7.5 per cent. of the estimated assessable profit for the six months ended 31 January, 2003. The rest of the subsidiaries of the Company in the PRC were entitled to income tax exemption for the six months ended 31 January, 2003.

A subsidiary of the Company has entered into processing agreements with certain independent third parties (the "Providers") in respect of certain production facilities in Shenzhen, the PRC. Pursuant to the processing agreements, the Providers bear any PRC tax in respect of the Group's relevant production facilities in Shenzhen, the PRC.

(b) Deferred taxation liability arose from revaluation of land and buildings held for own use. There were no material unprovided deferred taxation assets or liabilities as at 31 January, 2003 and 2002.

5 **Interim dividend declared after the balance sheet date**

(a) The Directors do not recommend any payment of interim dividend for the six months ended 31 January, 2003 (2002: Nil).

(b) Final dividend

	Six months ended 31 January,	
	2003	2002
	$'000	$'000
Final dividend in respect of the previous financial year approved and paid during the period, of 0.5 cents per share	**4,100**	30,000

The final dividend of $30,000,000 (40.0 cents per share) in respect of six months ended 31 January, 2002 represented dividend approved and paid by the Company's subsidiary, VSHK to the then shareholders prior to the Reorganisation.

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $17,739,000 (2002: $31,171,000) and the weighted average number of 820,000,000 (2002: 620,000,000) shares in issue during the six months ended 31 January, 2003. The weighted average number of shares for the six months ended 31 January, 2002 was the shares that would have been in issue throughout the six months ended 31 January, 2002 on the assumption that the Reorganisation was completed on 1 August, 2001.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in existence during the six months ended 31 January, 2003 and 2002.

7 Fixed assets

	Land and buildings held for own use $'000	Leasehold improvements $'000	Plant and machinery $'000	Office equipment, furniture and fixtures $'000	Motor vehicles $'000	Total $'000
Cost or valuation:						
At 1 August, 2002	112,512	17,670	330,534	16,109	14,378	491,203
Transfer from construction in progress *(note 8)*	26,577	-	1,401	683	-	28,661
Additions	130	1,132	58,705	4,097	3,357	67,421
Disposals	-	-	(6,834)	(86)	-	(6,920)
At 31 January, 2003	139,219	18,802	383,806	20,803	17,735	580,365
Representing:						
Cost	26,707	18,802	383,806	20,803	17,735	467,853
Valuation	112,512	-	-	-	-	112,512
	139,219	18,802	383,806	20,803	17,735	580,365
Accumulated depreciation:						
At 1 August, 2002	1,500	6,904	72,052	5,971	4,744	91,171
Charge for the period	1,970	900	16,201	1,718	1,495	22,284
Written back on disposals	-	-	(1,176)	(2)	-	(1,178)
At 31 January, 2003	3,470	7,804	87,077	7,687	6,239	112,277
Net book value:						
At 31 January, 2003	135,749	10,998	296,729	13,116	11,496	468,088
At 31 July, 2002	111,012	10,766	258,482	10,138	9,634	400,032

7 Fixed assets (continued)

At 31 January, 2003, certain fixed assets had been pledged as security for the bank loans *(note 13(b))*.

The Group leases certain production plant and machinery under finance leases expiring in one to three years. At the end of the lease term the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The net book value of plant and machinery held under finance leases of the Group was $15,932,000 as at 31 January, 2003 (31 July, 2002: $6,196,000).

8 Construction in progress

	At 31 January, 2003 $'000
Balance at 1 August, 2002	55,985
Additions	40,166
Transfer to fixed assets	(28,661)
Balance at 31 January, 2003	67,490

Construction in progress comprised direct costs of production plants under construction in Zhuhai.

9 Inventories

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Raw materials	70,540	83,253
Work-in-progress	61,076	43,163
Finished goods	39,808	34,320
	171,424	160,736

At 31 January, 2003, inventories stated at net realisable value amounted to $2,788,000 (31 July, 2002: $1,259,000).

10 Trade and other receivables

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Trade receivables	145,479	150,295
Bills receivable	34,669	14,585
Other receivables, prepayments and deposits	26,565	19,504
	206,713	184,384

All of the trade and other receivables are expected to be recovered within one year. Credit terms granted by the Group to customers generally range from 30 to 120 days. An aging analysis of trade and bills receivable (net of provisions for bad and doubtful debts) is as follows:–

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Within 30 days	99,412	102,215
Over 30 days but within 90 days	58,619	44,323
Over 90 days and less than one year	22,117	18,342
	180,148	164,880

11 Pledged deposits with banks

Fixed deposits with banks have been pledged to banks as security for the bank loans and overdrafts *(note 13(b))* and for the services provided by a service agent which requests the Group to place a fixed deposit with a bank.

12 Cash and cash equivalents

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Deposits with banks with original maturity date within three months	1,170	1,887
Cash at bank and in hand	87,152	109,027
	88,322	110,914

13 Bank loans and overdrafts

(a) An analysis of current and non-current bank loans and overdrafts is as follows:–

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Current:		
Overdrafts		
– secured	24,131	21,976
– unsecured	3,272	–
Bank loans		
– secured	109,725	104,843
– unsecured	174,551	90,044
	311,679	216,863
Non-current:		
Bank loans		
– secured	82,383	82,693
– unsecured	33,019	–
	115,402	82,693
	427,081	299,556

(b) The banking facilities comprising overdrafts and bank loans are secured by the following assets owned by the Group.

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Deposits with banks	83,751	83,709
Motor vehicles with aggregate carrying value	4,711	3,776
Buildings with aggregate carrying value	7,103	7,175
Plant and machinery with aggregate carrying value	66,098	88,101
	161,663	182,761

Such banking facilities, amounting to $261,246,000 (31 July, 2002: $254,030,000), were utilised to the extend of $216,239,000 (31 July, 2002: $209,512,000) at 31 January, 2003.

14 Obligations under finance leases

The Group leases production plant and equipment under finance leases expiring in three years. The facilities are not revolving. At the end of the lease term, the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option.

The total minimum lease payments under finance leases, and their present values are as follows:–

	At 31 January, 2003			At 31 July, 2002		
	Present value of the minimum lease payments $'000	Interest expense relating to future periods $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Interest expense relating to future periods $'000	Total minimum lease payments $'000
Amounts payable:						
Within 1 year	5,523	662	6,185	1,939	224	2,163
After 1 year but within 2 years	4,579	317	4,896	821	42	863
After 2 years but within 5 years	3,718	86	3,804	-	-	-
	8,297	403	8,700	821	42	863
	13,820	1,065	14,885	2,760	266	3,026

15 Trade and other payables

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Trade payables	149,118	191,719
Bills payable	43,600	16,291
Accrued expenses and other payables	68,679	109,585
	261,397	317,595

All trade and other payables are expected to be settled within one year.

An aging analysis of trade and bills payable is as follows:–

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Due within 30 days or on demand	100,893	129,990
Due after 30 days but within 90 days	71,945	70,533
Due after 90 days but within 180 days	19,880	2,932
Due over 180 days	-	4,555
	192,718	208,010

16 Share capital

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Authorised:		
4,000,000,000 ordinary shares of $0.05 each	200,000	200,000
Issued and fully paid:		
820,000,000 ordinary shares of $0.05 each	41,000	41,000

Note: All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

On 20 January, 2002, a share option scheme (the "Scheme") was approved by the shareholders under which the Directors may, at their discretion, offer to any employee (including any director) of the Company or any of its wholly-owned subsidiary and other eligible participants as referred to the rules of the Scheme options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. As at 31 January, 2003, no option had been granted to any such eligible participants under the Scheme.

17 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 January, 2003 not provided for were as follows:–

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Contracted for	51,648	24,184
Authorised but not contracted for	34,337	25,655
	85,985	49,839

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:–

	At 31 January, 2003 $'000	At 31 July, 2002 $'000
Within 1 year	8,445	10,060
After 1 year but within 5 years	35,039	50,630
After 5 years	145,941	198,739
	189,425	259,429

17 Commitments (continued)

(b) Operating lease commitments (continued)

The Group leases a number of factories and hostels under operating leases. The leases typically run for periods from 6 months to 30 years, with an option to renew the lease when all terms are renegotiated. Lease charges of $5,843,000 (2002: $5,283,000) were recognised as expense in the consolidated income statement (unaudited) for the six months ended 31 January, 2003 in respect of these operating leases. None of the leases includes contingent rentals.

18 Related party transactions

During the six months ended 31 January, 2003, the following significant related party transactions took place:–

(a) As at 31 January, 2003, amounts due to the ultimate holding company totalled $44,611,000 (31 July, 2002: $51,811,000). Pursuant to a loan agreement entered into between the Group and the ultimate holding company dated 20 January, 2002, the loan, which amounted to US$6,279,000 (equivalent to $48,916,000) as at the date of the loan agreement is repayable in twenty equal consecutive half-yearly instalments on 1 February and 1 August each year. The loan is unsecured and carries a fixed interest rate of 5 per cent. per annum on the monthly outstanding balance. Interest paid and payable to the ultimate holding company amounted to $1,184,000 (2002: $1,223,000) for the six months ended 31 January, 2003. The balance outstanding as at 31 January, 2003 was $44,025,000 (31 July, 2002: $48,916,000).

The remaining balance of $586,000 (31 July, 2002: $2,895,000) due to the ultimate holding company, which was included in "Trade and other payables", is unsecured, interest free and with no fixed repayment terms.

(b) The significant sales were as follows:–

	Six months ended 31 January	
	2003 $'000	2002 $'000
Fellow subsidiaries	1,084	1,009
Ultimate holding company	533	3,573
Related companies of the minority shareholder of a subsidiary	97,372	–

18 Related party transactions (continued)

(c) The significant purchases were as follows:–

	Six months ended 31 January	
	2003 $'000	2002 $'000
Purchase of fixed assets from the ultimate holding company	114	3,620
Purchase of raw materials from related companies of the minority shareholder of a subsidiary	29,360	–
Payment of electricity expenses to a related company of minority shareholder of a subsidiary	2,472	–
Purchases of construction materials from related companies of the minority shareholder of a subsidiary	35	–

(d) At 31 January, 2003, included in trade and other receivables were amounts due from a fellow subsidiary and related companies of the minority shareholder of a subsidiary amounted to $968,000 (31 July, 2002: $805,000) and $57,921,000 (31 July, 2002: $22,330,000) respectively.

(e) At 31 January, 2003, included in trade and other payables was an amount due to related companies of the minority shareholder of a subsidiary amounted to $5,696,000 (31 July, 2002: $1,185,000).

(f) On 29 January, 2003, the Group has conditionally agreed to grant to two minority shareholders of a subsidiary company at nil consideration an option to purchase certain shares from the Group's subsidiary. The purchase price payable by the parties exercising such option shall be the higher of (i) $1 per share or (ii) the per share net asset value of the subsidiary as at the time of exercise of the call option.

The Directors are of the opinion that the above transactions with related party were conducted on normal commercial terms or on terms described above in the ordinary course of business of the Group.

19 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

20 Ultimate holding company

The Directors consider the ultimate holding company as at 31 January, 2003 to be V.S. Industry Berhad ("VS Berhad"), a company incorporated in Malaysia.

21 Approval of interim financial report

The interim financial report was approved by the Board on 28 March, 2003.

Management Discussion and Analysis of Results of Operations

Overview

During the period under review, the global economic sentiment remained sluggish and volatile with weak consumer confidence, in view of the uncertainties associated with the possibility of the United States (the "US") military action against Iraq. Economic performance in the US showed no significant improvement. This, when coupled with the high crude oil prices, also triggered worries about economic recession in the market, raising concerns that it would be difficult for revival of the global economy at a fast pace. Amidst such a difficult operating and challenging environment, the Group continued to sustain an upward growth in turnover by approximately 45.63 per cent. to approximately HK$594.19 million (2002: approximately HK$408.02 million). The growth in the Group's turnover has shown that the Group was steering at the correct direction by investment in expansion and upgrading of production facilities in recent years.

The Group's gross profit margin declined from approximately 17.07 per cent. for the six months ended 31 January, 2002 to approximately 12.26 per cent. for the period under review. This was attributed by significant increase in the turnover derived from the subsidiaries in Qingdao over the Group's turnover, which represented approximately 17.14 per cent. compared to the same corresponding period in last year of approximately 2.13 per cent., where the main products sold were plastic parts for household electrical appliances which earned only a marginal margin. The Directors would look into ways of streamlining the operations in Qingdao in order to turnaround this product line. Excluding the contributions from the operations in Qingdao, the total Group's turnover for the six months ended 31 January, 2003 still recorded a growth of approximately 23.30 per cent. as compared to the corresponding period in 2002 and was contributed by the assembling of electronic products business, which earned a lower margin than the plastic injection and moulding business.

The repercussion on the Group's half yearly results was also further, but believed to be temporarily, amplified by the approximately 48.73 per cent. jump in the depreciation of plant and machinery due to the heavy capital expenditures on production facilities in last year. Hence, the profit attributable to shareholders for the six months ended 31 January, 2003 was approximately HK$17.74 million (2002: approximately HK$31.17 million), down by approximately 43.09 per cent.. However, the Directors believe that the investments will pay off eventually, for the new production facilities will enhance the Group's competitiveness in the long term. Other than that, the Directors will continue to trim expenditure and consolidate operation structure to achieve operational cost efficiency.

Business and Financial Review

Turnover and gross profit by business activities of the Group

Plastic injection and moulding business

During the six months ended 31 January, 2003, the turnover generated from the plastic injection and moulding business amounted to approximately HK$276.22 million, representing a substantial increase of approximately 66.74 per cent. against the approximately HK$165.66 million recorded during the previous year's corresponding period. The increase was attributed to the significant growth in our sales generated from the plastic parts for household electrical appliances, solely derived from the Qingdao's operations, which contributed approximately 36.86 per cent. (2002: approximately 5.24 per cent.) of the Group's total turnover for this business segment. However, during the period under review, the operations in Qingdao were in a loss making position and had caused the contribution margin to drop significantly from approximately 26.97 per cent. for the six months ended 31 January, 2002 to approximately 15.88 per cent. for the same corresponding period this year. Excluding the segment results in Qingdao, the Group's contribution margin dropped slightly by approximately 3.35 per cent. despite the significant increase in the cost for one of the major raw materials as a result of the fluctuation in the crude oil price.

Ancillary to that, during financial year ended 31 July, 2002 the Group had actively expanded and installed new machinery and equipment in Zhuhai and Qingdao to meet the demands of the existing and new customers. These new facilities, however, have led to an increase in the segment's depreciation by approximately 77.97 per cent., rising from approximately HK$7.49 million for the six months ended 31 January, 2002 to approximately HK$13.33 million for the period under review. Results of this business segment, therefore, dropped from approximately HK$44.68 million for the six months ended 31 January, 2002 to approximately HK$43.86 million for the period under review. Nevertheless, the positive sign stemming from the expanded production facilities is that this will effectively enhance the vertical integration with the assembling business.

Assembling of electronic products business

The business of assembling of electronic products continued to represent the Group's principal business segment, generating approximately 50.72 per cent. (2002: approximately 54.95 per cent.) of the Group's turnover. For the six months ended 31 January, 2003, the segments turnover recorded an encouraging growth rate of approximately 34.40 per cent. to reach approximately HK$301.35 million (2002: approximately HK$224.21 million). This is consistent with the Group's strategy of expanding its business to more high-end electronic products assembly. The contributions margin during the period under review remained comparable to the same corresponding period last year.

During the period under review, the Group has established a joint investment with Andes Electric Co., Ltd. ("Andes") and Sumitronics Hong Kong Ltd. ("STX") to manufacture printed circuit board ("PCB") and its related electronics semi-finished and/or finished products (the "Products") using the surface mounting technologies ("SMT"). The Group will be investing approximately HK$43.00 million in the second half of the financial year ending 31 July, 2003 to acquire sophisticated plant and machinery for this new product line. The new facilities are expected to boost returns to the Group in the future when they begin operations in the fourth quarter of the financial year ending 31 July, 2003.

Mould design and fabrication business

For the six months ended 31 January, 2003, the turnover of the mould design and fabrication business amounted to approximately HK$18.20 million (2002: approximately HK$18.15 million), accounting for approximately 3.06 per cent. (2002: approximately 4.45 per cent.) of the total turnover of the Group. The Directors are of the view that this business will continue to form as a part of the supplementary business of the Group and believe that this will improve the competitiveness of the Group in providing integrated manufacturing solutions to its customers.

Results for this segment dropped from approximately HK$4.23 million for the six months ended 31 January, 2002 to the current period of approximately HK$1.50 million. This was contributed by initial start-up and trial run costs of new facilities set up in Zhuhai, where the depreciation cost accounted for approximately 26.95 per cent. of these costs. During the six months ended 31 January, 2003, the Group had invested approximately HK$11.86 million in sophisticated and high precision facilities. Through this new synergy establishment, the Directors believe that this would not only attract more and higher margin mould sales but would also lead to more sales orders for the plastic injection and moulding business.

Distribution costs and administrative expenses

During the six months ended 31 January, 2003, the total distribution costs and administrative expenses of the Group recorded an amount of approximately HK$45.58 million (2002: approximately HK$31.77 million). The increase in these expenses was attributed to the increase in sales and commencement of business operations of the Group's production facilities in Zhuhai and Qingdao. These expenses represented approximately 7.67 per cent. of the turnover of the Group for the six months ended 31 January, 2003 and were comparable with the same corresponding period last year.

Finance costs

The finance costs of the Group for the six months ended 31 January, 2003 amounted to approximately HK$10.31 million (2002: approximately HK$8.17 million), representing an increase of approximately 26.19 per cent. as compared with the corresponding period last year. The increase was principally attributable to the increased use of banking facilities for the commencement of business operations of the Group's production facilities in Zhuhai and Qingdao. This represented approximately 1.73 per cent. of the turnover of the Group for the period ended 31 January, 2003 and was comparable with the previous year's corresponding period.

Future Prospects

The year ending 31 July, 2003 is a year of transition for the Company when heavy investment is being made in various business segments of the Group. This is consistent with the Group's diversification strategy which is to diversify the product lines as well as customer base to avoid over-reliance on any major customers. Hence, during the period under review, VSA Holding Hong Kong Co., Ltd. and VSA Electronics Technology (Zhuhai) Co., Ltd. were established pursuant to a joint venture agreement between two well known Japanese companies, namely Andes and STX for the production of PCB with high technical specifications. Andes is one of the major developers of the SMT and has extensive experience in the manufacturing of the Products, while STX is a worldwide distributor of electronic products and has extensive worldwide marketing and distribution networks. The Directors believe that this joint venture will increase the Group's technology capability as well as the Group's market opportunities.

The Group has also ventured into producing plastic parts for mobile phones in view that the PRC has been and will continue to be the world's largest and fastest growing mobile telecommunications market. This is indicated by the Tenth Five Year Plan that the total number of mobile phone users in the PRC will reach 260-290 million by the year 2005. Therefore, the Group has invested in several spraying rotate automatic painting machine in a clean room environment to access to this growing market. Currently, the Group has managed to secure sales order from a leading mobile phone manufacturer in the PRC and is in the initial stage of trial production.

The Directors believe the recent war between Iraq and US will have an impact on the existing unstable international crude oil price. Although the Group could pass on the increased costs to the customers ultimately, the re-negotiation of prices could take from one to three months or longer. Hence, the Directors believe that the fluctuation in crude oil price may have some impact on the overall production cost of the Group.

Overall, the Directors believe that the investment plan laid during the period under review would generate promising return to its shareholders and the Group as a whole for the years to come.

Other Information

Liquidity and financial resources

As at 31 January, 2003, the Group had cash and bank balances of approximately HK$172.36 million (31 July, 2002: approximately HK$194.62 million) of which approximately HK$83.75 million (31 July, 2002: approximately HK$83.71 million) were pledged to the banks for banking facilities granted to the Group. The liquid funds were denominated in US dollars, Renminbi and Hong Kong dollars which represented approximately 80.02 per cent., approximately 11.65 per cent. and approximately 8.33 per cent., respectively, of the total cash and bank balances.

The Group generally finances its operations through a combination of shareholders equity, internally generated cash flows and borrowings from banks in Hong Kong and the PRC. As at 31 January, 2003, the Group had unutilised banking facilities of approximately HK$57.84 million.

The Group's total borrowings as at 31 January, 2003 amounted to approximately HK$484.93 million (31 July, 2002: approximately HK$351.23 million) representing an increase of approximately HK$133.70 million. Included in these borrowings is shareholder's loan of approximately HK$44.02 million (31 July, 2002: approximately HK$48.92 million). The remaining balance of borrowings was mainly for business expansion, capital expenditure and working capital purposes with an interest rate ranging from approximately 2.31 per cent. per annum to approximately 6.59 per cent. per annum and the maturity period spread over a period of ten years with approximately HK$319.65 million repayable within one year and approximately HK$165.28 million repayable after one year but within ten years. The amounts of borrowings denominated in US dollars, Renminbi and Hong Kong dollars were equivalent to approximately HK$273.58 million, approximately HK$159.80 million and approximately HK$51.55 million, respectively.

The Group's gearing ratio, represented by the interest bearing borrowings over the Group's total asset at the end of the period, was approximately 44.65 per cent. (31 July, 2002: approximately 35.27 per cent.). The increase in the gearing ratio was principally due to the construction of phase III of factory buildings in Zhuhai and new capital expenditures in Zhuhai in order to expand the Group's production facilities to meet the increasing sales order in the second half of the year ending 31 July, 2003. The Directors are continuing monitoring the borrowing level and will maintain the gearing at a reasonable level.

The Directors believe that with its internally generated funds and current banking facilities, the Group has sufficient financial resources to satisfy its current commitments and working capital requirements.

Charges on assets

Assets charged as securities for banking facilities included plant and machinery with carrying value of approximately HK$66.10 million (31 July, 2002: approximately HK$88.10 million), buildings with carrying value of approximately HK$7.10 million (31 July, 2002: approximately HK$7.18 million) and motor vehicles of carrying value of approximately HK$4.71 million (31 July, 2002: approximately HK$3.78 million), in addition to the pledged deposits of approximately HK$83.75 million (31 July, 2002: approximately HK$83.71 million).

Contingent liability

The Group did not have any significant contingent liability as at 31 January, 2003 and 31 July, 2002.

Foreign exchange risk

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in US dollars, Renminbi and Hong Kong dollars, the Directors believe that the operations of the Group are not subject to significant foreign exchange risk.

Employees and remuneration policy

As at 31 January, 2003, the Group had a total of 5,942 (31 July, 2002: 5,565) employees of which 2,799 (31 July, 2002: 2,772) were employed under processing agreements as described in the Prospectus. During the six months ended 31 January, 2003, there was no significant change in the number of employees of the Group as well as their remuneration policies.

Employees' costs (excluding Directors' emoluments but including wages paid to employees employed under the processing agreements as described in the Prospectus) amounted to approximately HK$45.59 million (31 July, 2002: approximately HK$57.74 million) during the six months ended 31 January, 2003. Remuneration packages are maintained at competitive level and the Group's employees are rewarded on a performance related basis.

The Company conditionally adopted a share options scheme (the "Scheme") on 20 January, 2002 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The Board may, at their absolute discretion, grant options to employees and Directors and directors of the Company's subsidiaries and any qualified persons as set forth in the Scheme, to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme. Up to 31 January, 2003, no share options had been granted to any eligible participants under the Scheme.

The Group has also adopted a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance.

Purchase, Redemption or Sale of the Company's Listed Securities

During the six months ended 31 January, 2003, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

Directors' Interests in Shares

As at 31 January, 2003, the interests of the Directors in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") (Chapter 396 of the Laws of Hong Kong)) which had been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests in which they were deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:–

(a) Shares in the Company and its associated corporations

		Number of share			
Name of company	Name of Directors *(Note 1)*	Personal interest	Family interest	Corporate interest	Total interest
The Company (ordinary shares of HK$0.05 each)	Beh Kim Ling	17,437,500	-	-	17,437,500
	Gan Chu Cheng	17,437,500	-	-	17,437,500
	Gan Sem Yam	17,437,500	-	-	17,437,500
	Gan Tiong Sia	17,437,500	-	-	17,437,500
VVS Co., Ltd. ("VVS") (ordinary shares of HK$1 each)	Beh Kim Ling	3,182	-	-	3,182
	Gan Chu Cheng	3,182	-	-	3,182
	Gan Sem Yam	3,182	-	-	3,182
	Gan Tiong Sia	3,182	-	-	3,182
VS Berhad (ordinary shares of Malaysian Ringgit ("RM") 1 each)	Beh Kim Ling	14,639,629	-	-	14,639,629
	Gan Chu Cheng	14,961,843 *(Note 2)*	-	-	14,961,843
	Gan Sem Yam	6,841,825 *(Note 3)*	229,766 *(Note 4)*	-	7,071,591
	Gan Tiong Sia	2,576,355	10,000 *(Note 5)*	-	2,586,355

Directors' Interests in Shares (continued)

Name of company	Name of Directors (Note 1)	Number of share Personal interest	Family interest	Corporate interest	Total interest
VSHK (non-voting deferred shares of HK$1 each)	Beh Kim Ling	3,750,000	-	-	3,750,000
	Gan Chu Cheng	3,750,000	-	-	3,750,000
	Gan Sem Yam	3,750,000	-	-	3,750,000
	Gan Tiong Sia	3,750,000	-	-	3,750,000
V.S. Investment Holdings Limited ("VS Investment") (ordinary shares of HK$1 each)	Beh Kim Ling	5	-	-	5
	Gan Chu Cheng	5	-	-	5
	Gan Sem Yam	5	-	-	5
V.S. Ashin Technology Sdn. Bhd. (ordinary shares of RM1 each) *(Note 6)*	Gan Chu Cheng	672,000	-	-	672,000
	Gan Sem Yam	746,667	-	-	746,667
V.S. Technology Sdn. Bhd. (ordinary shares of RM1 each) *(Note 7)*	Beh Kim Ling	50,000	-	-	50,000
	Gan Chu Cheng	50,000	-	-	50,000
	Gan Sem Yam	50,000	-	-	50,000
	Gan Tiong Sia	50,000	-	-	50,000

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia.

2. 1,000,000 shares and 750,000 shares of RM1 each in the share capital of VS Berhad are held in bare trust by AMSEC Nominees (Tempatan) Sdn. Bhd. and Hong Leong Finance Berhad, respectively, for the benefit of Madam Gan Chu Cheng. Under the SDI Ordinance, Madam Gan Chu Cheng is deemed to be interested in all these shares.

3. 400,000 shares of RM1 each in the share capital of VS Berhad are held in bare trust by AMSEC Nominees (Tempatan) Sdn. Bhd. for the benefit of Mr. Gan Sem Yam. Under the SDI Ordinance, Mr. Gan Sem Yam is deemed to be interested in all these shares.

4. These shares are held by Madam Ling Sok Mooi, the spouse of Mr. Gan Sem Yam. Under the SDI Ordinance, Mr. Gan Sem Yam is deemed to be interested in all these shares held by Madam Ling Sok Mooi.

5. These shares are held by Madam Loi Hui Hong, the spouse of Mr. Gan Tiong Sia. Under the SDI Ordinance, Mr. Gan Tiong Sia is deemed to be interested in all these shares held by Madam Loi Hui Hong.

Directors' Interests in Shares (continued)

Notes (continued):

6. V.S. Ashin Technology Sdn. Bhd. is a company incorporated in Malaysia and is owned as to 54.4 per cent. by VS Berhad and the remaining shares by other shareholders, including but not limited to Madam Gan Chu Cheng and Mr. Gan Sem Yam.

7. V.S. Technology Sdn. Bhd. is a company incorporated in Malaysia and is owned as to 75 per cent. by VS Berhad and the remaining shares by other shareholders, including but not limited to Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng.

(b) Rights to acquire shares in the Company or its associated corporations

(i) Each of Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng were granted options under the employee's share option scheme of VS Berhad, which became effective on 11 July, 2000, to subscribe for 70,000 ordinary shares of RM1 each in the share capital of VS Berhad at the exercise price of RM2.77 per share, exercisable at any time during the period of five years commencing from and including 11 July, 2000 to 10 July, 2005. The respective number of outstanding options remained unexercised by each of Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng as at 31 January, 2003 was as follows:–

Name of Directors *(Note)*	**Number of outstanding options**
Beh Kim Ling	21,000
Gan Chu Cheng	21,000
Gan Sem Yam	21,000
Gan Tiong Sia	50,000

(ii) Under the terms and conditions of an option deed dated 20 January, 2002 and entered into between, among others, VS Investment and the following Directors, the following Directors were granted options to subscribe for the following numbers of shares in the share capital of VS Investment at the exercise price of HK$1 per share:–

Name of Directors *(Note)*	**Number of options outstanding**
Beh Kim Ling	3,599,995
Gan Chu Cheng	3,599,995
Gan Sem Yam	3,599,995

Directors' Interests in Shares (continued)

(b) Rights to acquire shares in the Company or its associated corporations (continued)

These options are exercisable at any time during the period of 36 months from and including 8 February, 2002, being the date on which dealing of shares on the main board of the Stock Exchange first commenced, to 5.00 p.m. (Hong Kong time) on the last date of such 36 months period or, if that date is not a business day in Hong Kong, on the business day in Hong Kong immediately before that date.

Note: Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia.

Save as disclosed above, as at 31 January, 2003, none of the Directors or their associates had any interest in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests in which they were deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Substantial Interests in the Share Capital of the Company

As at 31 January, 2003, the following interests of 10 per cent. or more of the share capital of the Company in issue were recorded in the register of interests maintained by the Company pursuant to Section 16(1) of the SDI Ordinance:–

Name	Number of shares of the Company	Percentage of shares of the Company
VS Berhad *(Note)*	426,250,000	51.98
VVS *(Note)*	426,250,000	51.98

Note: VVS is the registered owner of 426,250,000 shares in the capital of the Company. VVS is an investment holding company incorporated in the British Virgin Islands and is owned as to approximately 87.272 per cent. by VS Berhad and approximately 3.182 per cent. by each of Messrs. Beh Kim Ling, Gan Sem Yam, Gan Tiong Sia and Madam Gan Chu Cheng. VS Berhad is deemed to be interested in the 426,250,000 shares in the capital of the Company held by VVS under the SDI Ordinance.

Save as disclosed above, no person, other than the Directors whose interests are set out under the heading "Directors' Interests in Shares" above, had registered any interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at 31 January, 2003.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the heading "Directors' Interests in Shares" above, none of the Directors or their respective spouse or children under 18 years of age had been granted any option to subscribe for shares in the Company or its subsidiaries nor any such rights had been exercised by them, as at 31 January, 2003.

Audit Committee

The Board established the Audit Committee on 20 January, 2002, which comprised the two independent non-executive Directors, pursuant to the Code of Best Practice as set forth in Appendix 14 to the Listing Rules. The Audit Committee has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including a review of the unaudited interim financial report for the six months ended 31 January, 2003.

Compliance with the Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the six months ended 31 January, 2003, in compliance with Appendix 14 to the Listing Rules.

By order of the Board
Beh Kim Ling
Chairman

Shenzhen, the PRC
28 March, 2003

KPMG

Independent review report to the board of directors of V.S. International Group Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 22.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practices 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 January, 2003.

KPMG
Certified Public Accountants

Hong Kong,
28 March, 2003