V.S. INTERNATIONAL GROUP LIMITED
威 鋮 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2011

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") would like to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 January 2011, which have not been audited by the auditors of the Group, KPMG, but have been reviewed by KPMG and the audit committee ("**Audit Committee**") of the Board.

CONSOLIDATED INCOME STATEMENT – UNAUDITED

		For the six months ended 31 January	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**867,911**	784,456
Cost of sales		**(780,810)**	(704,477)
Gross profit		**87,101**	79,979
Other net income/(loss)	*4*	**9,444**	(5,491)
Distribution costs		**(32,970)**	(26,164)
Administrative expenses		**(50,869)**	(40,556)
Profit from operations		**12,706**	7,768
Finance costs	*5(a)*	**(19,743)**	(15,823)
Share of profits less losses of associates		**1,805**	1,943
Loss before taxation	*5*	**(5,232)**	(6,112)
Income tax credit	*6*	**46**	1,028
Loss for the period		**(5,186)**	(5,084)
Attributable to:			
Equity shareholders of the Company		**(5,238)**	(5,529)
Non-controlling interests		**52**	445
Loss for the period		**(5,186)**	(5,084)
Loss per share	*8*		
Basic		**(0.60) cents**	(0.64) cents
Diluted		**(0.60) cents**	(0.64) cents

CONSOLIDATED BALANCE SHEET – UNAUDITED

As at 31 January 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**811,506**	830,182
– Interests in leasehold land held for own use under operating leases		**25,208**	24,793
		836,714	854,975
Goodwill		**2,172**	2,172
Deferred tax assets		**19,643**	14,674
Interests in associates		**25,075**	27,004
		883,604	898,825
Current assets			
Inventories		**232,525**	227,151
Trade and other receivables	*9*	**428,352**	452,080
Deposits with banks		**92,174**	74,531
Cash and cash equivalents		**87,493**	96,940
		840,544	850,702
Current liabilities			
Trade and other payables	*10*	**441,082**	488,744
Interest-bearing borrowings		**456,016**	411,433
Obligations under finance leases		**10,344**	10,051
Loan from a substantial shareholder		**7,340**	6,539
Current taxation		**9,563**	9,387
		924,345	926,154
Net current liabilities		**(83,801)**	(75,452)
Total assets less current liabilities		**799,803**	823,373

	2011	2010
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables	**38,619**	29,794
Interest-bearing borrowings	**284,798**	322,621
Obligations under finance leases	**1,724**	6,700
Loan from a substantial shareholder	**2,447**	4,877
Deferred tax liabilities	**1,862**	1,762
	329,450	365,754
NET ASSETS	**470,353**	457,619
CAPITAL AND RESERVES		
Share capital	**43,349**	43,349
Reserves	**424,211**	411,529
Total equity attributable to equity shareholders of the Company	**467,560**	454,878
Non-controlling interests	**2,793**	2,741
TOTAL EQUITY	**470,353**	457,619

Notes:

1 Basis of preparation

The interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, "*Interim financial reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial results have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2010, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of the interim financial results in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 July 2010. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial results are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the HKICPA.

The financial information relating to the financial year ended 31 July 2010 that is included in the interim financial results as being previously reported information 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 2010 are available from the Company's registered office. The auditors have expressed a modified opinion on those financial statements in their report dated 24 September 2010.

As at 31 January 2011, the Group's current liabilities exceeded its current assets by HK$83,801,000 and the Group incurred a loss of HK$5,186,000 for the period ended 31 January 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 January 2011, the Group had undrawn banking facilities totalling HK$257,409,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew its current bank loans upon expiry or to obtain additional banking facilities in order to improve its liquidity position. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew its current bank loans upon expiry or secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the interim financial results have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been affected in the interim financial results.

2 Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs, HKAS and new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Improvements to HKFRSs (2009)
- HK (Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

These amendments and developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- As a result of the amendments to HKAS 27, as from 1 August 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated. The impact of the majority of the revisions to HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Lease*, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

The purpose of HK (Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause* is to provide guidance on the classification by the borrower of a term loan that contains a repayment on demand clause, with reference to the criteria for classification of liabilities as current or non-current as set out in HKAS 1. The classification of a term loan in accordance with HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. This is because the borrower under such an agreement does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. This Interpretation had no material impact on the Group's financial statements as the term loan obtained by the Group did not contains a repayment on demand clause.

3 Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Plastic injection and moulding	:	manufacturing and sale of plastic moulded products and parts
Assembling of electronic products	:	assembling and sale of electronic products, including processing fees generated from assembling of electronic products
Mould design and fabrication	:	manufacturing and sale of plastic injection moulds

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of interests in associates and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning "segment result", management is provided with segment information concerning revenue (including inter-segment), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Six months ended 31 January:								
Turnover from external customers	**500,368**	462,904	**317,493**	282,153	**50,050**	39,399	**867,911**	784,456
Reportable segment revenue	**500,368**	462,904	**317,493**	282,153	**50,050**	39,399	**867,911**	784,456
Reportable segment result	**16,681**	15,212	**24,474**	22,752	**5,203**	8,989	**46,358**	46,953
At 31 January/31 July:								
Reportable segment assets	**914,134**	941,608	**344,612**	377,739	**138,752**	143,177	**1,397,498**	1,462,524
Addition to non-current segment assets during the period	**9,459**	64,352	**1,150**	4,639	**1,534**	222	**12,143**	69,213
Reportable segment liabilities	**246,981**	330,826	**158,261**	141,303	**31,316**	28,709	**436,558**	500,838

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**867,911**	784,456
Consolidated turnover	**867,911**	784,456

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
Profit		
Reportable segment profit	**46,358**	46,953
Share of profits less losses of associates	**1,805**	1,943
Finance costs	**(19,743)**	(15,823)
Unallocated depreciation and amortisation	**(3,985)**	(2,690)
Unallocated operating income and expenses	**(29,667)**	(36,495)
Consolidated loss before taxation	**(5,232)**	(6,112)

	At 31 January	At 31 July
	2011	2010
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,397,498**	1,462,524
Interests in associates	**25,075**	27,004
Unallocated head office and corporate assets	**301,575**	259,999
Consolidated total assets	**1,724,148**	1,749,527

	At 31 January	At 31 July
	2011	2010
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**436,558**	500,838
Unallocated head office and corporate liabilities	**817,237**	791,070
Consolidated total liabilities	**1,253,795**	1,291,908

(c) Geographical segments

The Group's business participates in seven (2010: seven) major economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Turnover from external customers is analysed as follows:

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
The People's Republic of China ("PRC") (other than Taiwan and Hong Kong)	**419,033**	373,089
Hong Kong	**164,357**	177,606
United States of America	**108,354**	84,038
Northern Asia	**77,817**	64,252
Europe	**53,730**	51,018
South East Asia	**11,729**	17,876
South Africa	**32,891**	16,577
	867,911	784,456

4 Other net income/(loss)

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
Interest income	**945**	523
Rentals receivable from operating leases	**33**	3,121
Net foreign exchange gains/(losses)	**3,958**	(2,917)
Net loss on disposal of fixed assets	**(2,064)**	(1,974)
Reversal/(recognition) of impairment losses on acquisition deposits *(Note (i))*	**4,752**	(5,209)
Fines by local authorities *(Note (ii))*	**(2,280)**	(57)
Net income from sales of scrap materials	**2,271**	974
Change in fair value of forward foreign exchange contracts *(Note (iii))*	**138**	–
Net gain on forward foreign exchange contracts	**2,004**	–
Others	**(313)**	48
	9,444	(5,491)

Notes:

(i) On 19 June 2008, the Group entered into an agreement with an independent third party to invest HK$24,442,000, as a capital injection, to acquire a 51% equity interest of Heilongjiang Savoy Minerals Co., Limited ("Heilongjiang Savoy"), which is registered in the PRC, the principal activity of which is the exploration for natural resources in Heilongjiang Province in the PRC. The agreement would be effective when the capital injection and verification process is completed.

During the year ended 31 July 2009, the Group has injected the first instalment of approximately HK$8,035,000 ("Injected Capital") into Heilongjiang Savoy.

On 10 August 2009, resolutions were passed by the directors of Heilongjiang Savoy to approve an extension of the due date for settlement of the remaining balance of HK$16,407,000 from 31 July 2009 to 31 December 2009. The capital injection had not been completed as at 31 July 2010. Management decided to abort the plan to invest in Heilongjiang Savoy and was doubtful in recovering the deposits paid to Heilongjiang Savoy. Provision of HK$4,909,000 and HK$8,035,000 were made during the six months ended 31 January 2010 and the year ended 31 July 2010 respectively.

On 6 December 2010, resolutions were passed by the directors of Heilongjiang Savoy to approve the withdrawal of the investment in Heilongjiang Savoy by the Group. The shareholders of Heilongjiang Savoy also entered into supplemental agreements and articles ("Agreement"). The parties to the Agreement agreed that a compensation fee ("Compensation Fee") of RMB2,700,000 (equivalent to HK$3,283,000) shall be paid by the Group to another shareholder for the withdrawal by the Group from Heilongjiang Savoy. The Injected Capital, net of the Compensation fee, was refunded to the Group on 28 January 2011. Therefore a reversal of impairment loss on acquisition deposit of HK$4,752,000 was recognised for the period ended 31 January 2011.

In addition to the above, the Group also paid a refundable deposit of HK$5,704,000 to an independent third party for an exclusive right of negotiation in relation to exploration for natural resources in Inner Mongolia, the PRC. In order to focus on the existing principal activities, management decided to abort the investment plan in Inner Mongolia. During the period ended 31 January 2010, HK$3,973,000 of the deposit was refunded and HK$300,000 has been written off to profit or loss.

(ii) During the period ended 31 January 2011, a fine of HK$2,280,000 were paid to the Custom Bureau in Gongbei District of the PRC (中華人民共和國拱北海關) for underpaid value added tax and custom duties.

(iii) As at 31 January 2011, the notional amounts of the outstanding forward exchange contracts were US$7,000,000 (31 July 2010: Nil). The outstanding forward exchange contracts will expire within one year. The aggregate fair value of the outstanding forward exchange contracts amounted to HK$138,000 at 31 January 2011 (31 July 2010: Nil) has been recognised as derivative financial instruments. The changes in fair value of the forward exchange contracts were recognised in profit or loss.

5 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances repayable within five years	**16,046**	12,835
Interest on loan from a substantial shareholder	**186**	310
Finance charges on obligations under finance leases	**604**	680
Total borrowing costs	**16,836**	13,825
Less: borrowing costs capitalised as construction in progress *	**(32)**	(49)
	16,804	13,776
Other charges	**2,939**	2,047
	19,743	15,823

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 4.01% (2010: 4.36%) per annum for construction in progress.

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**295**	288
Depreciation		
– other assets	**51,208**	48,028
– assets held under finance leases	**1,148**	1,274
Operating lease charges in respect of properties		
– factory and hostel rentals	**5,071**	4,839
Impairment losses (reversed)/recognised in respect of		
– trade receivables	**3,115**	660
– acquisition deposits	**(4,752)**	5,209
Fines by local authorities	**2,280**	57

6 Income tax credit

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

	Six months ended 31 January	
	2011	2010
	HK$'000	*HK$'000*
Current tax-PRC		
Provision for the period	**4,823**	5,399
Deferred tax		
Origination and reversal of temporary differences	**(4,869)**	(6,427)
	(46)	(1,028)

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 2011 and 2010.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("CIT Law") which was effective from 1 January 2008. As a result of the CIT Law, taxable income for the subsidiaries of the Company in the PRC is subject to a standard PRC income tax rate of 25%, except for certain subsidiaries of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008.

Pursuant to the notice on the Implementation Rules of the Grandfather Relief under the new tax law, Guofa (2007) No. 39, issued on 26 December 2007 by the State Council, the income tax rate applicable to the subsidiaries of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008 will be gradually increased from the ex-preferential income tax rates to 25% over a five-year transition period commencing from 1 January 2008. The applicable income tax rate is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Subsidiaries which were granted certain tax relief before 1 January 2008 can continually enjoy such tax relief, under which they are entitled to PRC income tax exemption for two years commencing from the first profit making year and to a 50% relief from PRC income tax for the following three years.

For the period ended 31 January 2011, the following subsidiaries of the Company in the PRC were either subject to standard or preferential income tax rates, except that V.S. Industry (Shenzhen) Co., Ltd. sustained losses for taxation purposes for the period ended 31 January 2011:

Name of subsidiary	**Period**	**Income tax rate**
V.S. Technology Industry Park (Zhuhai) Co., Ltd.	1 January 2009 to 31 December 2009	20.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Haivs Industry (Qingdao) Co., Ltd.	1 January 2009 to 31 December 2009	20.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
V.S. Industry (Zhuhai) Co., Ltd.	1 January 2009 to 31 December 2009	20.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 January 2009 to 31 December 2009	10.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Qingdao GP Precision Mold Plastics Co., Ltd.	1 August 2009 to 31 January 2011	25.0%
V.S. Electronics (Zhuhai) Co., Ltd.	1 August 2009 to 31 January 2011	25.0%
VSA Electronics Technology (Zhuhai) Co., Ltd.	1 January 2009 to 31 December 2009	10.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Qingdao GP Electronic Plastics Co., Ltd.	1 August 2009 to 31 December 2009	0%
	1 January 2010 to 31 January 2010	11.0%
	1 January 2011 to 31 January 2011	12.5%

Pursuant to the CIT Law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. A withholding tax rate of 5% is applicable to entities held by a Hong Kong incorporated subsidiary.

According to the notice Caishui [2008] No.1 released by the Ministry of Finance and the State Administration of Taxation, distributions of pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempted from the PRC withholding tax. The Group is liable to withholding tax on dividends distributed from the subsidiaries incorporated in the PRC relating to profits generated on or after 1 January 2008. At 31 January 2011, the undistributed profits generated before 1 January 2008 by the subsidiaries incorporated in the PRC, which amounted to HK$129,791,000, are not subject to the withholding tax on future distribution. At 31 January 2011, deferred tax liabilities of HK$1,862,000 (2010: HK$1,762,000) have been recognised in respect of the temporary differences of HK$38,395,000 (31 July 2010: HK$35,234,000) which are related to the undistributed profits generated on or after 1 January 2008 by the subsidiaries incorporated in the PRC.

Pursuant to the laws, rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

7 Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 January 2011 and 2010.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

No dividends has been approved or paid by the Company after the end of the reporting period attributable to the previous financial year.

8 Loss per share

(a) Basic loss per share

The calculation of basic losses per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$5,238,000 (2010: loss of HK$5,529,000) and the 866,976,000 shares in issue during the current and the prior period.

(b) Diluted losses per share

Share options granted by the Company are anti-dilutive. As a result, there were no potential dilutive ordinary shares in existence during the six months ended 31 January 2011 and 2010.

9 Trade and other receivables

	At 31 January 2011 *HK$'000*	At 31 July 2010 *HK$'000*
Trade receivables	**299,773**	346,488
Bills receivable	**56,790**	50,096
Less: allowance for doubtful debts	**(5,125)**	(2,010)
	351,438	394,574
Other receivables, prepayments and deposits	**76,776**	57,506
Derivative financial instruments	**138**	–
	428,352	452,080

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 31 January 2011 *HK$'000*	At 31 July 2010 *HK$'000*
Current	**303,164**	318,713
Less than one month past due	**27,198**	45,923
One to three months past due	**10,999**	17,983
More than three months but less than twelve months past due	**7,548**	11,955
More than twelve months past due	**2,529**	-
Amounts past due	**48,274**	75,861
	351,438	394,574

Credit terms granted by the Group to customers generally range from 30 to 120 days. Debtors with balance that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted.

10 Trade and other payables

	At 31 January 2011 HK$'000	At 31 July 2010 HK$'000
Trade payables	**254,314**	286,011
Bills payable	**38,306**	36,650
Payables for the purchase of fixed assets	**40,240**	61,528
Accrued expenses and other payables	**108,222**	104,555
	441,082	488,744

The trade and other payables are expected to be settled or recognised as income within one year.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as at the end of the reporting period:

	At 31 January 2011 HK$'000	At 31 July 2010 HK$'000
Due within 1 month or on demand	**219,636**	248,843
Due after 1 month but within 3 months	**70,158**	64,791
Due after 3 months but within 6 months	**2,826**	9,027
	292,620	322,661

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

Despite improvement in the Group's turnover for the period under review, rising raw material prices and employment cost have affected the performance of the Group for the six months ended 31 January 2011.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK$867.91 million, representing an increase of HK$83.45 million or 10.64% as compared to HK$784.46 million in the previous corresponding period. In tandem with the increase in turnover, gross profit increase from HK$79.98 million to HK$87.10 million, however gross profit margin reduced from 10.20% to 10.04% mainly due to higher raw material prices and rising labour cost for the six months ended 31 January 2011.

Plastic injection and moulding business

During the period under review, plastic injection and moulding segment remained the Group's core business and contributed to 57.65% of the Group's turnover. The turnover for this segment increased to HK$500.37 million as compared to HK$462.90 million in the previous corresponding period, representing an increase of HK$37.47 million or 8.09%.

Assembling of electronic products business

Since second half of year 2009, assembling of box-built electronics products has contributed significantly to the Group's turnover. For the six months ended 31 January 2011, turnover for assembling of electronics products business increased to HK$317.49 million as compared to HK$282.15 million in the previous corresponding period, representing an increase of HK$35.34 million or 12.53%.

Mould design and fabrication business

Mould design and fabrication is a key business segment for the Group to solicit new customers and new products from existing customers. During the period under review, mould design and fabrication segment recorded a turnover of HK$50.05 million, an increase of HK$10.65 million or 27.03% as compared to HK$39.40 million in the previous corresponding period.

Distribution costs and administrative expenses

During the period under review, distribution cost and administrative expenses amounted to HK$83.84 million, representing an increase of HK$17.12 million or 25.66% as compared to HK$66.72 million in the previous corresponding period. The increase was primarily due to higher packaging and transportation cost incurred on certain products delivered to one of the major customers in overseas and the rising staff salaries during the period.

Other net income/loss

During the period under review, the Group recorded other net gain of HK$9.44 million (2010: net loss of HK$5.49 million), which comprised mainly net gain on foreign exchange of HK$6.10 million, reversal of impairment losses on acquisition deposits of HK$4.75 million which was offset by net loss of disposal of fixed assets of HK$2.06 million.

Finance costs

The finance costs increased to HK$19.74 million as compared to HK$15.82 million in the previous corresponding period mainly due to higher interest rate on bank borrowing for the period under review.

Share of profits less losses of associates

The Group's share of profit less losses of associates of HK$1.81 million (2010: 1.94 million) was mainly contributed by its associate in Vietnam.

FUTURE PROSPECTS

Recent earthquake followed by nuclear crisis in Japan may disrupt supply chain of certain micro chips to be imported from Japan for the Group's customers. Some of our existing customers' sales may be affected by the disruption in the supply chain. However, the extent and impact of the disruption in supply chain is yet to be known. Further to that, the Group expect pricing pressures and rising labour costs will continue to put a squeeze on the profit margin for the second half of the financial period.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations and investing activities mainly by internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 January 2011, the Group had cash and bank deposits of HK$179.67 million (31 July 2010: HK$171.47 million), of which HK$92.06 million (31 July 2010: HK$74.42 million) was pledged to the banks for the facilities granted to the Group. The cash and bank deposits were denominated in the currencies of United States dollars ("**USD**") 39.71%, Renminbi ("**RMB**") 59.44%, and Hong Kong dollars ("**HKD**") 0.85%.

As at 31 January 2011, the Group had outstanding interest-bearing borrowings of HK$762.67 million (31 July 2010: HK$762.22 million), mainly consisting of bank borrowings of HK$740.81 million (31 July 2010: HK$734.05 million), obligations under finance lease of HK$12.07 million (31 July 2010: HK$16.75 million) and a loan from a substantial shareholder of HK$9.79 million (31 July 2010: HK$11.42 million). The total borrowings were denominated in RMB 20.47%, USD 39.12%, and HKD 40.41%, and the maturity profile is as follows:

	As at 31 Jan 2011		As at 31 July 2010	
Repayable	***HK$ million***	***%***	*HK$ million*	*%*
Within one year	**473.70**	**62.11**	428.02	56.15
After one year but within two years	**92.13**	**12.08**	83.58	10.97
After two years but within five years	**196.84**	**25.81**	250.62	32.88
Total borrowings	**762.67**	**100.00**	762.22	100.00
Cash and bank deposits	**(179.67)**		(171.47)	
Net borrowings	**583.00**		590.75	

As at 31 January 2011, the Group's net current liabilities were HK$83.80 million (31 July 2010: 75.45 million). As at 31 January 2011, the Group has undrawn bank facilities of HK$257.41 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

CHARGES ON ASSETS

As at 31 January 2011, certain assets of the Group with aggregate carrying value of HK$460.10 million (31 July 2010: HK$440.27 million) were pledged to secure loan and trade financing facilities for the Group.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relates. The currencies giving rise to the risk were primarily HKD, USD, Japanese Yen ("JPY") and RMB. During the period under review, the Group recorded a net foreign exchange gain of HK$ 6.10 million (2010: net loss of HK$2.92 million) as a results of realisation of foreign exchange contracts and appreciation of RMB against HKD.

As at date of this announcement, the notional amount of the outstanding forward exchange contracts which were entered to mitigate foreign exchange risk in view of continuing appreciation of RMB against USD was USD30.00 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2011, the Group had a total of 6,815 employees (31 July 2010: 8,211). During the period under review, the Group did not make significant changes to the Group's remuneration policies for its employees.

Employees' cost to the Group (excluding Directors' remuneration) for the period under review amounted to HK$153.00 million (2010: HK$122.35 million). The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resource market and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group has recognised the need for the improvement of employees' technical knowledge, welfare and well being, so as to attract and retain quality and dedicated employees towards the future growth of the Group.

The Group has adopted a provident fund scheme for its employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance; in addition, it contributes to the government pension scheme for its employees in the PRC, which is also required by relevant authorities.

As a public listed entity, the Group implements a share option scheme to provide incentives to eligible employees to participate in the Company's success.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months period under review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

EXTRACT OF THE DRAFT REVIEW REPORT BY KPMG ON THE GROUP'S INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 JANUARY 2011

Conclusion

Based on our review, nothing has come to attention that causes us to believe that the interim financial report as at 31 January 2011 is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "*Interim financial reporting*".

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which describes that as at 31 January 2011, the Group's current liabilities exceeded its current assets by HK$83.80 million and the Group incurred a loss of HK$5.19 million for the period ended 31 January 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the Group's ability to renew its current bank loans upon expiry or secure adequate banking facilities to enable the Group to continue to operate as a going concern and to meet its financial obligations as and when they fall due for the foreseeable future. The interim financial report does not include any adjustments that would result from the failure to renew or obtain such banking facilities.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2011 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto has been made.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions ("Code Provisions") of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Listing Rules throughout the six months under review except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

According to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Beh Kim Ling and Mr. Gan Sem Yam are the Chairman and Managing Director of the Company respectively. Mr. Beh Kim Ling, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes a deviation from Code Provision A.2.1 as part of his duties overlap with those of the Managing Director, who is in practice the chief executive officer. As the founder of the Group, Mr. Beh Kim Ling has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

The Company has adopted a securities dealing code ("**SD Code**") regarding the dealings of the Directors and members of the senior management of the Group in securities of the Company, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period under review with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2011.

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

Macau, the PRC
26 March 2011

List of all Directors as at the date of this announcement

Executive Directors:
Mr. Beh Kim Ling
Mr. Gan Sem Yam
Madam Gan Chu Cheng
Mr. Zhang Pei Yu
Mr. Yeoh Ek Boon

Independent non-executive Directors:
Mr. Diong Tai Pew
Mr. Lee Soo Gee
Mr. Tang Sim Cheow

Non-executive Director:
Mr. Gan Tiong Sia