THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in V.S. International Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

DISCLOSEABLE TRANSACTION
AND
PROPOSED CONTINUING CONNECTED TRANSACTION

11 July 2008

CONTENT

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

"Agreement"	the agreement dated 19 June 2008 and entered into between the PRC Partner, Savoy and V.S. Resources in respect of the Investment
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	V.S. International Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Investment in accordance with the terms and conditions of the Agreement
"connected persons"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company
"Exploration Area"	an area of approximately 1.83 sq. km. of the mining site located at 5 km south-west of Sishanlinchang, Jidong County, Heilongjiang Province, the PRC
"Group"	collectively, the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Investment"	the investment V.S. Resources has agreed to make in an aggregate amount of RMB21,822,940 (equivalent to approximately HK$24,441,693) to the Target, constituting approximately 51% of the enlarged equity interest of the Target pursuant to the Agreement
"Latest Practicable Date"	8 July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC GAAP"	PRC Generally Accepted Accounting Principles
"PRC Partner"	黑龍江省第一地質勘察院 (The First Institute of Geology Exploration of Heilongjiang Province*), an entity established in the PRC
"Premises"	the premises being 黑龍江省牡丹江市愛民區向陽街25號 (No. 25, Xiangyang Street, Aimin District, Mudanjiang City, Heilongjiang Province, the PRC) which was rented by the PRC Partner to the Target pursuant to the Tenancy Agreement
"Savoy"	Savoy Resources Corp. (美國Savoy資源有限公司*), a company incorporated in state of Colorado in the United States of America
"SFO"	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	黑龍江雍昌礦業有限公司 (Heilongjiang Savoy Minerals Co., Ltd.*), a company established in the PRC, and as at the Latest Practicable Date, owned by the PRC Partner and Savoy as to approximately 61.40% and 38.60% respectively
"Tenancy Agreement"	the tenancy agreement dated 31 May 2008 and entered into between the PRC Partner as landlord and the Target as tenant for the renting of the Premises
"V.S. Resources"	V.S. Resources Holding Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renmibi, the lawful currency of the PRC

"sq. km."	square kilometres
"%"	per cent.

For the purpose of this circular, unless otherwise specified, conversions of currency has been calculated using the following exchange rate:

RMB1.00 = HK$1.12

Such exchange rate has been used for the purposes of illustration only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at such or any other rates.

* the translation of the name is for information purpose only, and should not be regarded as the official translation of such name.

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)

Registered office:
Cricket Square
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P.O. Box 2681
Grand Cayman KY1– 1111
Cayman Islands

Principal place of business in Hong Kong:
4106, 41st Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

11 July 2008

To the shareholders of the Company

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION AND PROPOSED CONTINUING CONNECTED TRANSACTION

INTRODUCTION

On 19 June 2008, the PRC Partner, Savoy and V.S. Resources, a wholly-owned subsidiary of the Company, entered into the Agreement pursuant to which V.S. Resources has agreed to invest an aggregate amount of RMB21,822,940 (equivalent to approximately HK$24,441,693) to the Target, constituting approximately 51% of the enlarged equity interest of the Target. Reference is made to the announcement of the Company dated 25 February 2008 in relation to a deposit agreement regarding a proposed investment by the Company in a joint venture company established in the PRC. The deposit of RMB10,000,000 (equivalent to approximately HK$11,200,000) paid by the Company would be refunded upon Completion.

As an applicable percentage ratio (within the meaning of the Listing Rules) for the Investment exceeds 5% but is less than 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to give you further details of the Agreement (including a technical report on the project of the Target) and other information of the Group.

AGREEMENT

Date: 19 June 2008

Parties:

(i) 黑龍江省第一地質勘察院 (The First Institute of Geology Exploration of Heilongjiang Province*), an entity established in the PRC which is engaged in exploration works

(ii) V.S. Resources Holding Limited, a wholly-owned subsidiary of the Company which is an investment holding company

(iii) Savoy Resources Corp. (美國Savoy資源有限公司*), a company incorporated in the state of Colorado in the United States of America which is engaged in precious gemstone and precious and based metal mining, exploration, production and marketing

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the PRC Partner and Savoy, and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Company does not have any transactions with the PRC Partner, Savoy or their ultimate beneficial owners completed within 12 months prior to the Agreement.

The Investment

The Target was established in the PRC on 30 June 2004. As at the Latest Practicable Date, each of the total investment and the registered capital of the Target was RMB21,177,060 and was owned by the PRC Partner and Savoy as to approximately 61.40% and 38.60% respectively. The PRC Partner injected its portion of investment by way of the exploration rights based on its exploration permit which were then valued at RMB13,000,000 and Savoy injected its portion of investment by way of cash.

The Target is principally engaged in exploration of mines in the PRC at permitted and authorised locations. At present, the Target mainly carries out exploration works in gold mines.

Pursuant to the Agreement, each of the total investment and the registered capital of the Target will be increased to RMB43,000,000 (equivalent to approximately HK$48,160,000) and V.S. Resources has agreed to invest in an aggregate amount of RMB21,822,940 (equivalent to approximately HK$24,441,693) to the Target, constituting approximately 51% of the enlarged equity interest of the Target. Pursuant to the Agreement, other than the Investment, V.S. Resources did not have any further capital commitment in relation to the Target.

Upon Completion, the Target will be owned by each of the PRC Partner, Savoy and V.S. Resources as to approximately 30%, 19% and 51% respectively.

Consideration

Pursuant to the terms of the Agreement, the Investment of RMB21,822,940 (equivalent to approximately HK$24,441,693) in cash shall be injected into the Target in the following manner: (i) within seven days from the date of approval by the relevant PRC regulatory authorities approving the changes of the Target regarding the Investment, an aggregate amount of RMB7,000,000 (equivalent to approximately HK$7,840,000) shall be paid; and (ii) prior to 31 December 2008, the balance of the Investment of RMB14,822,940 (equivalent to approximately HK$16,601,693) shall be paid.

The effective date of the Agreement shall take place on the following day, whichever is the latest:

(i) the obtaining of the new certificate of approval of the Target;

(ii) the obtaining of the new business licence of the Target; or

(iii) the publication of the announcement in relation to the Investment by the Company in accordance with the Listing Rules.

In the event that the above requirements are not fulfilled within 180 days subsequent to the signing of the Agreement or such later date as agreed among the PRC Partner, Savoy and V.S. Resources, V.S. Resources shall have the right to terminate the Agreement and the transactions contemplated thereby by notifying the PRC Partner and Savoy in writing. Upon termination of the Agreement, all other signed documents in relation to the Agreement or any transactions contemplated thereby shall cease to have any effect.

The Investment was determined by the PRC Partner, Savoy and V.S. Resources on the basis of normal commercial terms and arm's length negotiations with reference to, among others: (i) the opportunity for the Group to gain access to the precious metals market in the PRC and to broaden the income base of the Group; (ii) the continuous growth in the market price of gold in recent years; (iii) the further business and growth potential of the Target; and (iv) the development of a business platform, through the Target, to explore and seize possible merger and acquisition opportunities to acquire other mining businesses in the PRC. The Directors (including the independent non-executive Directors) consider that the terms of

Investment (including the basis of the determination of the Investment), which are determined on an arm's length basis, are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Completion

Upon Completion, the Target will become an indirectly non-wholly owned subsidiary of the Company and the financial results of the Target will be consolidated into the consolidated financial statements of the Company.

Upon Completion, there will not be any financial impact on the Group's assets solely taking into account the Investment. However, the Group's earnings, assets and liabilities will increase as a result of the consolidation of the financial results of the Target with those of the Group.

Other terms

Pursuant to the Agreement, the PRC Partner has agreed not to cooperate with other party for the exploration of minerals in the area(s) that the Target would be interested to explore.

The Target has also granted a right of priority to the PRC Partner to engage the PRC Partner and/or its associate(s) to provide exploration and other related services to the Target if the terms then offered by the PRC Partner and/or its associate(s) shall be equal to or better than the terms offered by the other service provider(s). The Target and the PRC Partner and/or its associate(s) will enter into separate agreement(s) before the provision of such service and depending on the amount of consideration involved in each of such transactions, may be subject to the disclosure and/or shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements for these connected transactions under the Listing Rules as and when needed.

Information on the Target and the Exploration Area

The Target

According to the audited financial statements of the Target prepared under the PRC GAAP, the net loss (both before and after taxation and extraordinary items) for the two years ended 31 December 2007 were RMB8,178,680 (equivalent to approximately HK$9,160,122) and RMB8,172,063 (equivalent to HK$9,152,711) respectively. The net asset value of the Target as at 31 December 2007 was RMB13,004,937 (equivalent to approximately HK$14,565,529). The Target has not generated any revenue for the two years ended 31 December 2007.

The Exploration Area

The Target owns the exploration permit covering the Exploration Area. The Exploration Area is located at 5 km south-west of Sishanlinchang, Jidong County, Heilongjiang Province, the PRC (黑龍江省雞東縣四山林場西南5公里). The Exploration Area has an area of approximately 1.83 sq. km.. The exploration permit is valid from 26 March 2007 to 25 November 2008.

Reasons for the Investment

The Group is principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and mould design and fabrication. As stated in the interim report of the Company for the six months ended 31 January 2008, the main business segments of the Group comprised (i) plastic injection and moulding (turnover from external customers: approximately HK$501,460,000); (ii) assembling of electronic products (turnover from external customers: approximately HK$114,296,000); and (iii) mould design and fabrication (turnover from external customers: approximately HK$113,012,000). The Group's business mainly participates in six major economic environments, including the PRC, Hong Kong, Northern Asia, Europe, the United States of America and South East Asia. The Group will continue to carry on its existing business after Completion.

It is expected that the gold market in the PRC will be prosperous and the demand for gold is expected to increase in the PRC. The PRC government also strongly encourages gold mining enterprises to use advanced technologies in the mining and production of gold by granting them preferential treatments on taxation. These developments have significantly improved the business outlook of the gold mining industry in the PRC.

In light of the above, the Directors are of the view that the Investment represents a good opportunity to invest in the natural resources sector, and enables the Group to diversify into the gold mining business in the PRC. Upon Completion, the Target will continue to carry out the exploration work in the Exploration Area. It will also apply for the relevant mining operation permit in accordance with the applicable PRC laws and regulations. As advised by the Company's PRC legal adviser, the possession of the exploration permit for the Exploration Area entitles the Target to have a priority right to apply for a mining operation permit, provided that the mineral resources are not those foreign investors are prohibited from mining. A mining operation permit will allow the Target to exploit the minerals available in the Exploration Area subject to the relevant PRC laws and regulations. Upon completion of the exploration, it is planned that exploitation and processing of minerals will be conducted by the Target subject to the relevant PRC laws and regulations. The Investment is anticipated to be beneficial to the Company and will enable the Company to generate income and cash flow from investment and trading activities in the natural resources sector.

For the reasons given above, the Directors believe that the Investment would enhance the future growth and profitability of the Group. Taking into account the benefits of the Investment, the Board is of the view that the terms of the Investment are fair and reasonable and the Investment is in the interests of the Company and the Shareholders as a whole.

Implication under the Listing Rules

As an applicable percentage ratio (within the meaning of the Listing Rules) for the Investment exceeds 5% but is less than 25%, the Investment constitutes a discloseable transaction for the Company under the Listing Rules.

PROPOSED CONTINUING CONNECTED TRANSACTION

Upon Completion, the Target will become an indirectly non-wholly owned subsidiary of the Company and the PRC Partner will be holding 30% of the equity interest of the Target. Accordingly, the PRC Partner and its associate(s) will become connected persons of the Company under the Listing Rules.

The Tenancy Agreement and the transaction contemplated thereby will constitute continuing connected transaction of the Company under the Listing Rules.

Particulars of the Tenancy Agreement were as follows:

Premises:	黑龍江省牡丹江市愛民區向陽街25號 (No. 25, Xiangyang Street, Aimin District, Mudanjiang City, Heilongjiang Province, the PRC)
Term of the tenancy:	three years commencing from 1 June 2008 to 30 May 2011
Rental:	the Target is not required to pay rent for the renting of the Premises, however, the Target will have to pay the PRC Partner for other charges and outgoings such as water, electricity and gas charges

No rental is payable to the PRC Partner under the Tenancy Agreement, the Directors considered that the Tenancy Agreement is generally on normal commercial terms and is in the interest of the Group and the Shareholders as a whole. As no rental is payable under the Tenancy Agreement, the de minimis rule under Rule14A.33(3) will apply and the Tenancy Agreement and the transaction contemplated thereunder will be exempted from reporting, announcement and independent shareholders' approval requirement.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
V.S. International Group Limited
Beh Kim Ling
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director *(Note 1)*	**The Company/ name of associated corporation**	**Capacity**	**Number and class of securities** *(Note 2)*	**Approximate percentage of interest**
Beh Kim Ling	The Company	Beneficial owner	47,800,775 Shares (L) *(Note 3)*	5.51%
	V.S. Corporation (Hong Kong) Co., Limited ("**VSHK**")	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("**VS Investment**")	Beneficial owner	5 ordinary shares of HK$1 each (L)	–
Gan Sem Yam	The Company	Beneficial owner	26,037,500 Shares (L) *(Note 3)*	3.00%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	–

Name of Director *(Note 1)*	The Company/ name of associated corporation	Capacity	Number and class of securities *(Note 2)*	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	39,600,775 Shares (L) *(Note 3)*	4.57%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	–
Zhang Pei Yu	The Company	Beneficial owner	6,802,000 Shares (L) *(Note 4)*	0.78%
Gan Tiong Sia	The Company	Beneficial owner	27,400,775 Shares (L) *(Note 5)*	3.16%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	1,000,000 Shares (L) *(Note 6)*	0.12%
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	1,000,000 Shares (L) *(Note 6)*	0.12%
Tang Sim Cheow	The Company	Beneficial owner	500,000 Shares (L) *(Note 7)*	0.06%

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. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.

2. The letter "L" represents the Director's interest in the shares and underlying shares of the Company or its associated corporations.

3. These Shares include 8,600,000 share options granted by the Company on 17 August 2007, details of which were set out in the interim report of the Company for the six months ended 31 January 2008.

4. These Shares include 6,800,000 share options granted by the Company on 17 August 2007, details of which were set out in the interim report of the Company for the six months ended 31 January 2008.

5. These Shares include 2,000,000 share options granted by the Company on 17 August 2007, details of which were set out in the interim report of the Company for the six months ended 31 January 2008.

6. These Shares include 500,000 share options granted by the Company on 17 August 2007, details of which were set out in the interim report of the Company for the six months ended 31 January 2008.

7. These Shares were share options granted by the Company on 17 August 2007, details of which were set out in the interim report of the Company for the six months ended 31 January 2008.

(b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Number of Shares held *(Note)*	Nature of interest/ Capacity	Approximate percentage of interest
V.S. Industry Berhad	371,996,900 (L)	Beneficial owner	42.91%
Inabata Sangyo (HK) Limited	82,000,000 (L)	Beneficial owner	9.46%
Atlantis Investment Management Ltd.	48,156,000 (L)	Investment manager	5.55%

Note: The letter "L" represents the person's interest in the Shares.

(b) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or

indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries. As at the Latest Practicable Date, there was no claim in relation to exploration rights made or notified either by third parties against the Company.

5. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation. As at the Latest Practicable Date, there was not any proposed Director or proposed service contract with Directors.

6. COMPETING BUSINESS

None of the Directors and his associates (as defined in the Listing Rules) has any interests in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. EXPERTS AND CONSENT

(a) The following are the qualification of the expert who has given its opinions and advice which are included in this circular:

Name	Qualification
SRK Consulting China Ltd. ("**SRK**")	Independent technical adviser

(b) SRK does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) SRK has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/ or its opinion or report in the form and context in which they are included.

(d) Neither SRK nor any Directors is interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of this circular, acquired or disposed of by or leased to the Group or any of its subsidiaries.

8. WORKING CAPITAL

The estimated funds required by the Group for the two years following the issue of this circular is approximately RMB15,000,000 (equivalent to approximately HK$16,800,000), in order to bring the operation of the Target into commercial production, which includes the funds required to obtain the mining operation permit and to conduct exploration works. As it will take time for the Target to establish the mining operation upon obtaining of the mining operation permit, the Target is not expected to generate any revenue for at least the next 12 months from the date of this circular.

Other than the above, the Directors are of the opinion that, taking into account the internal resources available to the Group, the Group will have sufficient working capital to continue to operate in the next 12 months from the date of this circular in the absence of unforeseen circumstances.

9. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1– 1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at 4106, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(c) The company secretary and qualified accountant of the Company is Mr. Goh Thian Song, a fellow member of The Chartered Association of Certified Accountants in the United Kingdom and a member of Hong Kong Institute of Certified Public Accountants.

(d) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

EXECUTIVE SUMMARY

SUMMARY OF PRINCIPAL OBJECTIVES

SRK's objective was to review all relevant technical aspects of the Sishanlinchang gold-silver project, including geology and resources, and ore processing study, to provide to V. S. International Group Limited ("V.S. International") with a clear understanding of the risks and opportunities associated with a proposed investment in Heilongjiang Savoy Minerals Co Ltd ("Yongchang"). SRK was further required to provide an independent technical assessment report which is expected to be provided to shareholders of V.S. International and the Stock Exchange of Hong Kong Limited ("SEHK").

OUTLINE OF WORK PROGRAM

The work program involved two phases:

Phase 1 – travel to Jidong, Heilongjiang Province, inspect the Sishanlinchang gold-silver project, including field geology, interview with the staff of No. 1 Geological Brigade of Heilongjiang Bureau of Geology and Mineral Resources or First Institute of Geology Exploration Of Heilongjiang Province ("No. 1 Geological Brigade") who conducted the exploration of the Sishanlinchang project, and return travel to Beijing; and

Phase 2 – preparation and completion of a draft report, copying to V.S. International for review and then finalisation of the report.

RESULTS

Overall

Yongchang owns an exploration permit of 1.83km^2 within which at least two gold-silver mineralized bodies have been defined by using surface engineering, drilling and tunnelling. Gold-silver mineral resource has been estimated, among which the category 332 can be used for a preliminary feasibility study of a development, and upon a positive result of the study, the resource of categories 333 and 334 are worth for further exploration and delineation. There are other mineralized bodies in the area. The company may apply for more ground adjacent to the current property to cover the other mineralized bodies, which may potentially increase mineral resource basis. SRK believes that a lower cut-off grade to define the resource can be used for a mineral resource re-estimate using current available data, considering the increased market prices of the precious metals.

A preliminary ore dressing test has been conducted on the ore of the project. Test work of cyanidation and flotation was conducted, and the former was recommended. The leaching rates from the cyanidation are 70.00% and 69.94% respectively for gold and silver. Soluble gold and silver adsorbed resin achieved an adsorption rate of 99.57% and 99.18% for gold and silver respectively. SRK recommends that more tests should be conducted in the feasibility study in order to improve the overall recovery.

Geology and Mineralogy

Tectonically, the working area is located at Xingkai Lake-Bulieya geological block region, and at the northeast end of Taipingling uplift. Since the Palaeozoic Era, the region has been in the denudation environment. Local rifting and depression began in the Upper Triassic, accompanied by the volcanic activity and magmatic intrusion, which formed some polymetallic ore deposit mainly including gold. The mineralized bodies are hosted at the hanging wall and footwall of diorite-porphyrite dyke in the middle segment of Upper Proterozoic Yanwangdian Formation, and at the contact zones of carbon– bearing micaceous quartz schist and diorite-porphyrite dyke or faulting-broken zones. Two mineralized bodies have been defined in exploration programs of 2004-2005.

The No. 1 Mineralized Body is located at the middle segment of Yanwangdian Formation, and the contact zone of carbon-nearing micaceous quartz schist and diorite-porphyrite dyke or faulting broken zone, and the footwall plate of a Cretaceous diorite-porphyrite dyke. The No. 1 vein strikes north-easterly at 50˚-80˚, and dips to north-west with angles of 40˚-63˚. It has been defined that the length of the body is about 775m, and dipping depths range 65-400m. Its thickness is 0.80-7.00 m, and averaging 1.97m. The grades of gold are 2.56-40.00g/t, averaging 5.22g/t; and the grades of silver are 1.44-366g/t, averaging 64.05g/t.

The No. 2 Mineralized Body also occurs in t the hanging wall of diorite-porphyrite dyke. It is located at about 40-130m north-west of and parallel to No. 1 mineralized body. On the surface, the mineralized body appears as a discontinuous thin vein, strikes north-easterly at 50˚-80˚, and dips to north-west with angles of 45˚-65˚. The continuous length of the defined body is about 400m, the defined dipping depths range from 20 to 150m, and the thickness of the body is 0.88-2.80m, averaging 1.19m. The grades of gold are 2.61-12.5g/t, and the grades of silver are 4.45-440.00g/t, averaging 78.42g/t.

The main ore minerals of the deposit are: native gold, calaverite, telluric silver, argentite, pyrite, chalcopyrite, galena, sphalerite; other useful minerals include arsenopyrite. The main gangue minerals are quartz (60-85%), feldspar and mica.

Resource Estimates

No. 1 Geological Brigade (2006) conducted a resource estimate of the Sishanlinchang Gold-silver deposit based on the exploration programs conducted in 2004-2005. The projection on a longitudinal section and geological block method was used in the resource estimate.

The cut-off-grade of 1g/t was used to define the mineral resource. In the report prepared by the No. 1 Geological Brigade, it is reported that a grid of 50m x 50m defines the resource of category 332, a 100 x 100m grid to define 333 resource, and larger grid and the extrapolation of 332 and 333 resources was used for 334 resource.

The following table summarises the resource estimate within the exploration permit.

Before 1999, China used a letter system to categorise reserves/resources. This has been replaced by a three number system. ***However, both the systems are different from the criteria used in defining a resource under the Australian Joint Ore Reserves Committee (JORC) code.*** The comparison of the Chinese and JORC Code systems is provided in Appendix 1. In general, Category 332 can refer to Indicated Resources and 333 to Inferred Resources. Category 334 usually can not be classified as a JORC Code resource.

Gold and Silver Resource Estimation Result of Sishanlinchang Project (No. 1 Geological Brigade, 2006)

		Gold		Silver	
Resource Category	**Tonnage**	**g/t**	**kg**	**g/t**	**kg**
332	168,750	6.35	1,071	66.89	11,288
333	260,803	4.28	1,116	65.72	17,139
334	241,230	1.58	381	33.98	8,197
Total	670,783	3.83	2,568	54.60	36,624

Since the feasibility study about the development of the resources has not been completed yet, SRK cannot covert the resources into reserves. In theory, the 332 resource can partially be converted into a reserve which can be referred to Probable reserve in JORC.

Exploration Potential

Sishanlinchang region possesses favorable geological conditions for forming gold-silver-copper–moly deposits. In the south and north of the defined Nos. 1 and 2 bodies, there are Nos. 3, 4, 5 and 6 mineralized bodies. They should have potential of more mineral resources, providing the mineral right on them has been obtained. There are also some samples with grades greater than cut-off which were not used in the resource estimation. If the cut-off grade can be lower done, the resource should increase too.

Milling

Test work and study were executed employing both processes of cyanidation and flotation, and the previous one was chosen for its better result. The leaching rates from the cyanidation are 70.00% and 69.94% respectively for gold and silver. Soluble gold and silver adsorbed resin is better than activated carbon that achieved an adsorption rate of 99.57% and 99.18% for gold and silver respectively. Adopting the resin in pulp process detailed leaching test was carried out and the achieved recovery rates of gold and silver are 69.70% and 69.37% respectively.

In order to improve the overall recovery, SRK recommends that more tests should be conducted. During the further test, followings may be considered.

- Add calcium carbonate and sodium cyanide in the mill to increase the opportunity for the contact between gold and cyanide.

- Add aquae hydrogenic dioxide in the leaching tank to form a high oxidative leaching environment.

In fact, to extract gold the process of carbon in pulp is much more widely used than resin in pulp.

RECOMMENDATIONS

Current resource basis may support a production operation. SRK recommends that a feasibility study on mining, ore processing and other issues should be conducted. Upon a positive result, more exploration work should be conducted to upgrade the mineral resources, and look for more resources. Due to the reason that the metal prices of gold and silver are relatively high, SRK believes that new mineral resource estimation in future may use a lower cut-off grade, so the mineral resource basis may increase. During further exploration, strict quality assurance and quality control procedures should be carried out, in order to establish a database suitable for a resource estimate in an international standard.

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DISCLAIMER

The opinions expressed in this report have been based on the information supplied to SRK by V.S. International Group Ltd and No. 1 Geological Brigade of Heilongjiang Bureau of Geology and Mineral Resources. The opinions in this report are provided in response to a specific request from V.S. International Group Ltd to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

1 INTRODUCTION

V.S. International Group Limited ("V.S. International"), a company listed on the Stock Exchange of Hong Kong Limited ("SEHK") is interested in the acquisition of the Sishanlinchang Gold-Silver Project. The Sishanlinchang Gold-Silver Project includes an exploration permit on a gold-silver deposit in Jidong, Heilongjiang Province, China ("the Project"). V.S. International requires an independent assessment report to be provided to its shareholders and SEHK.

2 BACKGROUND AND BRIEF

2.1 Background of the Project

V.S. International commissioned SRK Consulting China Ltd ("SRK") to review and report on the Sishanlinchang Gold-Silver Project, currently owned and operated by Heilongjiang Savoy Minerals Co Ltd ("Yongchang").

2.2 Scope of Work

The scope of work included SRK visiting the project area in Jidong, Heilongjiang Province and the preparation of this report which was required to meet the standards for SEHK disclosure.

3 OBJECTIVES AND WORK PROGRAM

3.1 Program Objectives

The objectives of the program were to complete the scope of work by reviewing the data available, participating in a site visit and providing V.S. International with both verbal feedback and a written report.

3.2 Purpose of the Report

The purpose of the SRK report is to provide V.S. International with an independent report on the Project for the possible acquisition and project finance.

3.3 Reporting Standard

This report has been prepared to the standard of and is considered by SRK to be, a Technical Assessment Report under the guidelines of the Valmin Code. The Valmin Code incorporates the Australian Joint Ore Reserves Committee ("JORC") Code for the reporting of Mineral Resources and Ore Reserves and is binding upon all AusIMM members. The technical assessment report should also comply with the standards set in Chapter 18 of listing rules of SEHK.

This report is not a Valuation Report and does not express an opinion as to the value of mineral assets. Aspects reviewed in this report do include product prices, socio-political issues and environmental considerations; however SRK does not express an opinion regarding the specific value of the assets and tenements involved.

3.4 Work Program

The work program included the following:

- A review of data prior to departure from Beijing;
- Travel to Jidong, Heilongjiang Province and inspection of the assets during March 2008;
- Collection of data and documents;
- Return travel to Beijing and review of data;
- Preparation of a draft report;
- Provision of the draft report to V.S. International for comment; and
- Completion of the report

3.5 Project Team

SRK's team consists of experienced professionals for this project. The following table lists the personnel of the SRK team, and a brief biographical note is presented below.

Table 3-1: SRK Project Team

Name	Title/Discipline	Responsibility
Dr Anson Xu	Principal consultant/ Resource and geology	Chief editor, resources/ overall
Lanliang Niu	Associated consultant/Ore processing	Ore processing study review
Qingtang Yang	Senior Geologist/Geology	Geology, resources
Changchun Wang	Senior Geologist/Geology	Geology, resources
Dr Yonglian Sun	Principal consultant	Peer review and quality control

Dr Anson Xu, *PhD, MAusIMM*, is a principal consultant with a specialty of exploration of mineral deposits. He has more than 20 years experience in exploration and development of various types of mineral deposits including copper-nickel sulfide deposits related to ultrabasic rocks, tungsten and tin deposits, diamond deposits, and in particular, various types of gold deposits, vein-type, fracture– breccia zone type,

alteration type and Carlin type. He was responsible for resource estimations of several diamond deposits, and review of resource estimations of several gold deposits. Recently, he completed several due diligence projects for clients in China, including deposits of gold, silver, lead– zinc, iron, bauxite, and copper. Anson has completed several technical review projects, as well as technical reports to the standards required by SEHK. Anson was the project manager, chief editor and the Competent Person for this report.

Lanliang Niu, ***Engineer of Mineral Processing***, graduated in 1987 from Beijing University of Science and Technology majoring in Ore Processing. From 1987 to 2002 he had been working at the Henan Measurement Centre for Rocks and Minerals, and was promoted to be the director in the Processing and Metallurgical Office of the Centre. He had worked on the industrial test on the gold leaching with low-grade ores; managed or participated in processing and metallurgical testing for more than 10 precious metals and non-ferrous metals. Since 2003 he was transferred to the Zhengzhou Mineral Comprehensive Utilization Research Institute, China Academy of Geo-Science. During this period, he worked on minerals including copper, nickel, and gold, etc. Lanliang was promoted to engineer in 1993 and senior engineer in 2000, and in 2005 he got his certificate as a registered appraiser for mine property right. He has more than 10 years experience in ore processing testing work and 10 years experience in mine production management dealing with precious metals, non-ferrous metals, as well as ferrous metals and part of nonmetallic ores. He is responsible for the review of ore processing study of the project.

Qingtang Yang, ***B.Sc. (Geology), M.Sc. (Geology)*** is Senior Geologist with SRK Consulting China. He has over 30 years experience and specialises in mineral exploration. Mr. Yang assisted Dr Xu in reviewing geology and resources.

Changchun Wong ***B.Sc. (Geology)*** graduated from Changchun Geological Institute in January, 1982. From 1982-2005, he had been working in Gold Geological Survey Centre of Jilin Geological and Mineral Bureau, and Jilin Geological and Scientific Research Centre. During this period, he had involved in many exploration and prospecting projects, including metalic mines and non-metalic mines. He has gained abundant experience in the past 20 years on the geological exploration, prospecting and scientific research. Mr. Wong assisting Dr. Xu in reviewing the geology and resources.

Dr Yonglian Sun, ***BEng, PhD, MAusIMM, MIEAust, CPEng***, is a Principal Consultant and the managing director of SRK China with over 20 years experience in geotechnical engineering, rock mechanics and mining engineering in five countries across four continents. He has extensive international mining experience with an emphasis in site investigation, analysis and modelling of geotechnical issues in open pits, underground mines, tunnels. He also has considerable experience in project management and project evaluation in assisting the mines for the fund-raising and overseas stock listing. Recently, Yonglian has coordinated and worked on a number of due diligence projects like Lingbao Gold, China Coal, and Yueda Holding's Pb-Zn, Xinjiang Xinxin Cu-Ni, Hua Yi Longxin Fe, and Hong Kong Nation Shenlong Fe projects. All has been successful listed in the Stock Exchange of Hong Kong Ltd. Dr Sun will be doing the peer review to ensure the quality meets the required standard.

3.6 Statement of SRK Independence

Neither SRK nor any of the authors of this Report has any material, present or contingent interest in the outcome of this report, nor have they any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with V.S. International in regard to the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting it independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

3.7 Indemnities

As recommended by the VALMIN Code, V.S. International has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by V.S. International or from V.S. International not providing material information, or;

- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

3.8 Forward-Looking Statements

Estimates of mineral resources, ore reserves and mine and processing plant production are inherently forward-looking statements which, being projections of future performance will necessarily differ from the actual performance. The errors in such projections result from the inherent uncertainties in the interpretation of geologic data, in variations in the execution of mining and processing plans, in the ability to meet construction and production schedules due to many factors including weather, availability of necessary equipment and supplies, fluctuating prices and changes in regulations.

4 LOCATION AND ACCESS

4.1 Location and Access

The project area is located at 6.5km south of the town Sishanlinchang, Yonghe Township, Jidong County, Heilongjiang Province with a geographical coordinates at 130˚59'00"-131˚04'30"N and 44˚52'00"-44˚57'00"N. There is simply constructed dirt road from the project area to Sishanlinchang which is 57km from Jidong County with paved highway. Jidong is about 150km from Mudanjiang City of Heilongjiang Province, and it is about 300km from provincial capital Harbin City. There are daily flights between Beijing and Mudanjiang, and between Beijing and Harbin. There is also a railway system connecting Jidong, Mudanjiang and Harbin. Access to the project area and infrastructures is good. Figure 4-1 shows an index map of the project.

Figure 4-1: Location Map, Jidong Gold-Silver Project, Heilongjiang Province

The project is in a hill region, the height above sea-level varies from 370.0m to 701.4m, and the relative elevation difference is 200-331m. Vegetation develops in the mine, mostly being secondary forest and few planted forest. The working area has continental monsoon climate with mean annual temperature of 3.7˚C, and the lowest of -35˚C, the highest of 36.2˚C, and an annual rainfall of 574 mm. River system develops well, mainly including primary and secondary tributary of Muling River.

The population is sparse in the area. Industry and agriculture are not well developed, with only small scale of timber processing, soybean, corn and rice plantation. There is enough labour force in the region of Jidong, and the conditions of power supply and water supply are relatively excellent.

4.2 Exploration Permit

Heilongjiang Savoy Minerals Co Ltd owns an exploration permit for gold resource in Jidong County, Heilongjiang province. Table 4-1 gives details about the permit, and Appendix 2 is a copy of the original permit.

Table 4-1: Jidong Sishanlinchang Exploration Permit Details

Item.	Permit No. 0100000730009
Owner	Heilongjiang Savoy Minerals Co. Ltd.
Name of the project	Detailed prospecting of rock gold deposit at 612 Gaodi, Jidong county, Heilongjiang province
Location	5 km south-west of Sishanlinchang, Jidong County, Heilongjiang Province
Permit Area	1.83 km^2
Valid Period	From March 26, 2007 to November 25, 2008
Issued Date	March 26, 2007

SRK was informed that the company has retained a Chinese professional Institute to conduct a feasibility study on the project, and the procedure of application for a mining license will start after the completion of the feasibility study. If the result of the feasibility study is positive, SRK recommends to conducting an exploration program including in-fill drilling and underground tunnelling by a professional geological team, such as No. 1 Geological Brigade.

Based on information available, SRK sees no other factors affecting the company to carry out the exploration program in the exploration permit area.

5 GEOLOGICAL AND MINERAL INVENTORY ASSESSMENT

5.1 Regional and Property Geology

Tectonically, the working area is located at Xingkai Lake-Bulieya geological block region, and at the northeast end of Taipingling uplift. In the west there is the Dunmishen deep fault. Since the Palaeozoic Era, the region has been in the denudation environment. Local rifting and depression began in the Upper Triassic, accompanied by the volcanic activity and magmatic intrusion, which formed some polymetallic ore deposit mainly including gold. Figure 5-1 is a regional geological map.

Figure 5-1: Regional Geological Map of Sishanlinchang Project

5.1.1 Stratigraphy

The outcropping strata in the working area include (from the old to the new): Upper Proterozoic Huangsong Group's Yanwangdian formation Pt_3^2yn); Mesozoic Triassic System's Upper series Luoquanzhan Formation (T_3L); Cainozoic Upper Tertiary System's Upper Series Chuandishan Formation (βN_2c) and Quaternary Holocene series river alluvial deposit.

Upper Proterozoic Huangsong Group's Yanwangdian Formation (Pt_3^2yn):

The main stratum is composed of biotite plagiogneiss, quartz gneiss, muscovite-biotite quartz-schist, garnet sericite-schist, carbonaceous muscovite-biotite quartz-schist and dolomite quartz-albite schist. The strike is northeast 50° to 70°; the dip is northwest; and the degree of inclination is 20° to 65°. Since the metamorphism is relatively deep, the occurrence of gold and other metallic elements in the stratum is relatively high, and it is the main source bed of polymetallic ore deposit of gold in the region.

Triassic Upper Series Luoquanzhan Formation (T_3L):

The outcropping area of this formation of stratum is relatively small, accounting for 0.05% of the working area. It is in the irregular round shape and elliptical shape, remaining at the mountain top above 550 m of elevation, being unconformable coverage on the stratum of Yanwangdian formation. The occurrence is gentle, and it is mainly composed of andesite, rhyolite and rubble lava.

Tertiary Upper Series Pebbled Sandstone:

It is merely distributed at the northeast end of No I ore body. It is the early sediment of Chuandishan formation basalt layer that is composed of cemented conglomerate and gravel rock. The thickness is greater than 12 m, being unconformable coverage on the Yanwangdian formation.

Tertiary Upper Series Chuandishan Formation Basalt (βN):

It is mainly distributed at the northwest part of the working area, around Dunmishen major dislocation. Its distribution is in the south-north direction, the distribution area accounts for 25% of the working area. The thickness is greater than 70 m.

Quaternary Holocene Series (Q_4^2):

It is mainly distributed at the river cleugh. The bottom part is gravel stone layer, and the upper part is sand clay layer. Alluvial gold placer is hosted locally. The thickness is 5-10 m.

5.1.2 Magmatic Rocks

Since Mesozoic Era, the magmatic activity is frequent in the region. There are three phases of intrusive activities, including: Upper Triassic, Upper Jurassic and Cretaceous period. There are two phases of eruptive activities: Upper Triassic effusive stage and Tertiary era effusive stage. The granodiorite of Upper Triassic intruded along south-north direction or nearly east-west direction and intrudes stratum of Yanwangdian Formation; granodiorite of Upper Jurassic intrudes the bottom stratum of Yanwangdian Formation, and transects granodiorite of Triassic. Copper, molybdenum and gold deposits were formed at the endocontact and exocontact; diorite-porphyrite of Cretaceous period mostly intruded along a north east tectonic belt. Multiple parallel diorite-porphyrite dykes were formed at the carbonaceous schist stratum in the middle segment of Yanwangdian Formation, and gold and silver deposits were formed at the hanging wall and footwall of the dykes.

5.1.3 Structures

The working area is located at Xingkai Lake-Bulieya geological block region, and the north east end of Taipingling uplift. The structural line in the region is mainly in the south-north direction and north east.

5.1.3.1 Folded Structure:

The working area is located at the north-west part of the north wing of Xiangshan composite anticline which forms the basic structure framework of the working area. Its axial part is located at the border between China and Russia, with the axial direction of north east and the dip of north-west dipping at 50° to 60°. The fold is composed of stratum of Yanwangdian Formation, and was cut by the fault in nearly south-north direction.

5.1.3.2 Faulting Structures

Main faults strike nearly south-north direction and north east direction in the region. The south-north direction tectonic belt controls the intrusion of granodiorite in the Upper Triassic and Jurassic. In the southern part of area, copper, molybdenum and gold deposits were formed at the endocontact and exocontact zones of granodiorite of Jurassic and bottom stratum of Yanwangdian Formation. The faults in north-east direction were mainly developed along the foliation direction of Yanwangdian Formation, where the intrusions of Crateceous diorite-porphyrite intruded into the middle segment of Yanwang Formation stratum, and No. 1 and No. 2 gold and silver mineralized bodies were formed at the hangingwall and footwall of the dykes.

5.1.4 Regional Mineralization

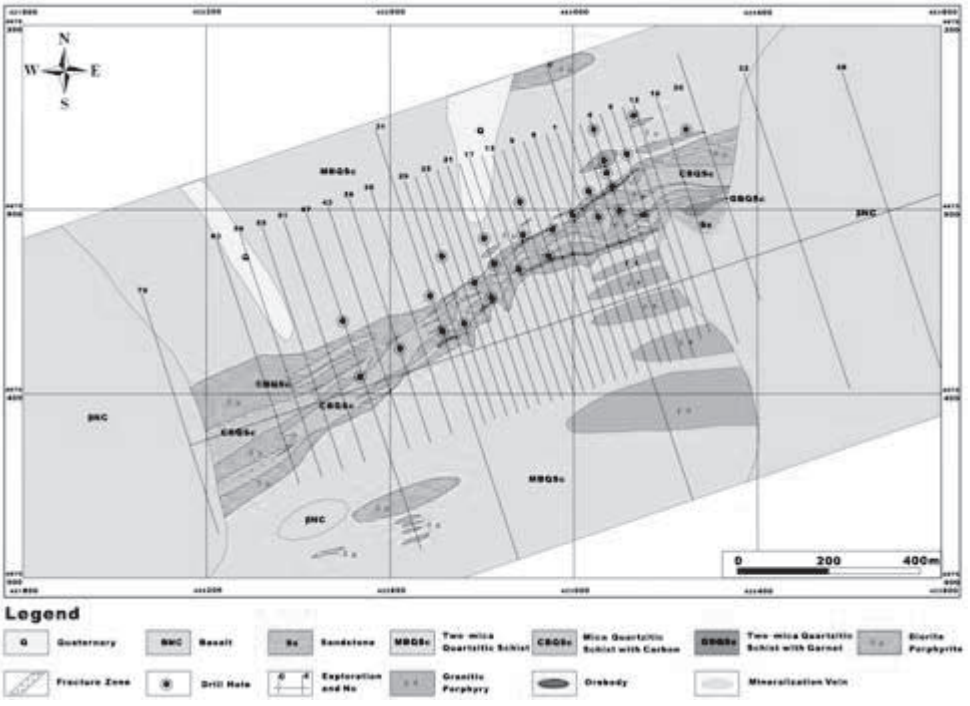
The working area is located at the north end of Taipingling precious metal and polymetallic mineralization belt, and the regional mineral resources are relatively abundant. Many small-sized copper-molybdenum deposits and gold-copper have been found at the southern part of the project area. Nos. 1, 2, 3 and 4 mineralized bodies were found in the area. Heilongjiang Provincial No.1 Geological Brigade has completed a detailed prospecting program on the Nos. 1 and 2 bodies.

The fracture structure in south-north direction and north-east direction in the region provides passage and ore-forming space for the magmatic activity in the later stage, and it has controlled the regional ore-forming activity. The carbon-bearing schist of Yanwangdian Formation might provide the source of gold and other polymetallic elements to the formation of polymetallic deposit. The magmatic intrusion activity in Upper Triassic, Upper Jurassic and Cretaceous period provides favourable condition for the activation, migration and enrichment of gold and polymetallic elements.

5.2 Property and Mineralized Body Geology

Nos. 1 and 2 bodies are hosted at the hanging wall and footwall of diorite-porphyrite dyke in the middle segment of Upper Proterozoic Yanwangdian Formation, and at the contact zones of carbon– bearing micaceous quartz schist and diorite-porphyrite dyke or faulting-broken zones. The host rocks are mainly the schist, dioritic porphyry and altered rock. Figure 5-2 is the geological map of the property.

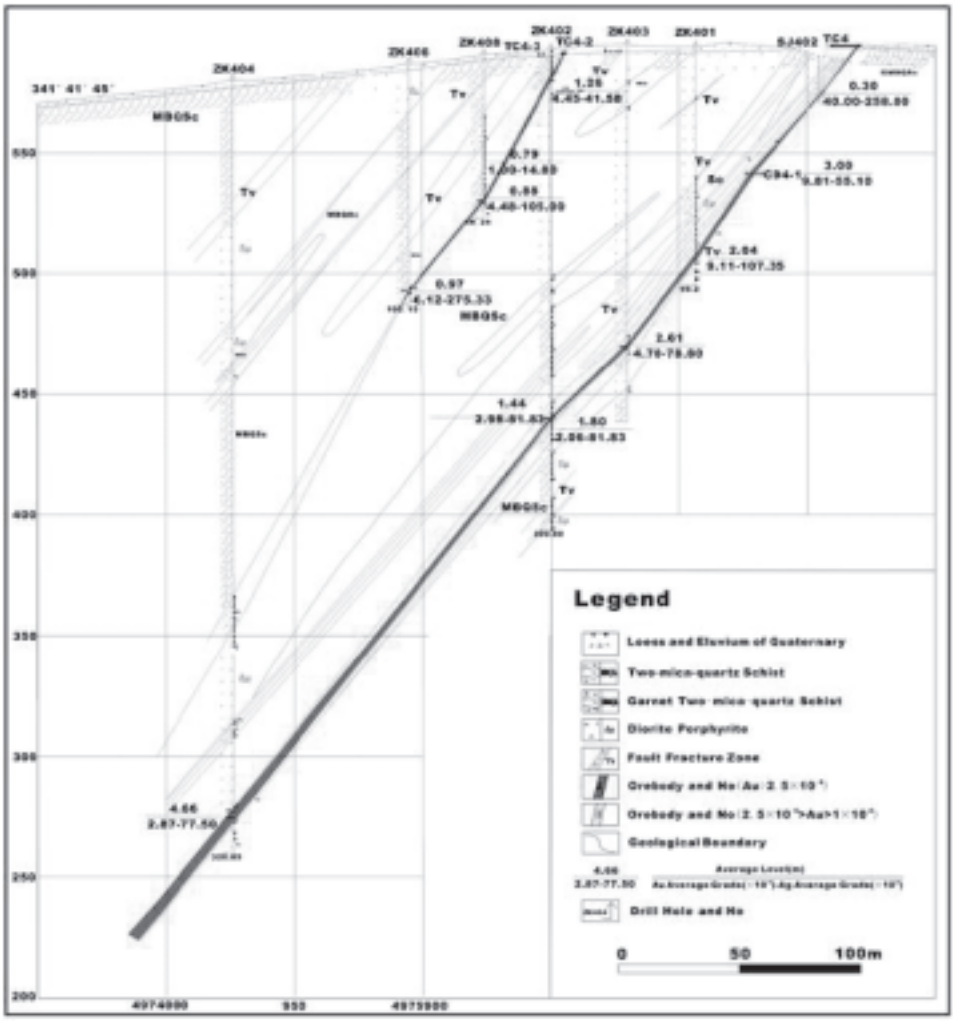
Figure 5-2: Geological Map of Sishanlinchang Property



5.2.1 Features of No. 1 Mineralized Body

The No. 1 mineralized body is located at the middle segment of Yanwangdian Formation, and the contact zone of carbon-nearing micaceous quartz schist and diorite-porphyrite dyke or faulting broken zone, and the footwall plate of a diorite-porphyrite dyke of Cretaceous period. The outcrop of the body is discontinuous thin vein and lenticular body. It strikes north-easterly at 50˚-80˚, and dips to north-west at 40˚ to 63˚. It has been defined that the length of the body is about 775m, and dipping depths range from 65m to 400m. The thickness and grade of the body are relatively steady. Its thickness is 0.8-7.00 m averaging 1.97m. The grades of gold are 2.56-40.00g/t, averaging 5.22g/t, and the grades of silver are 1.44-366g/t, averaging 64.05g/t. Figures 5-3 and 5-4 show cross-sections of the body.

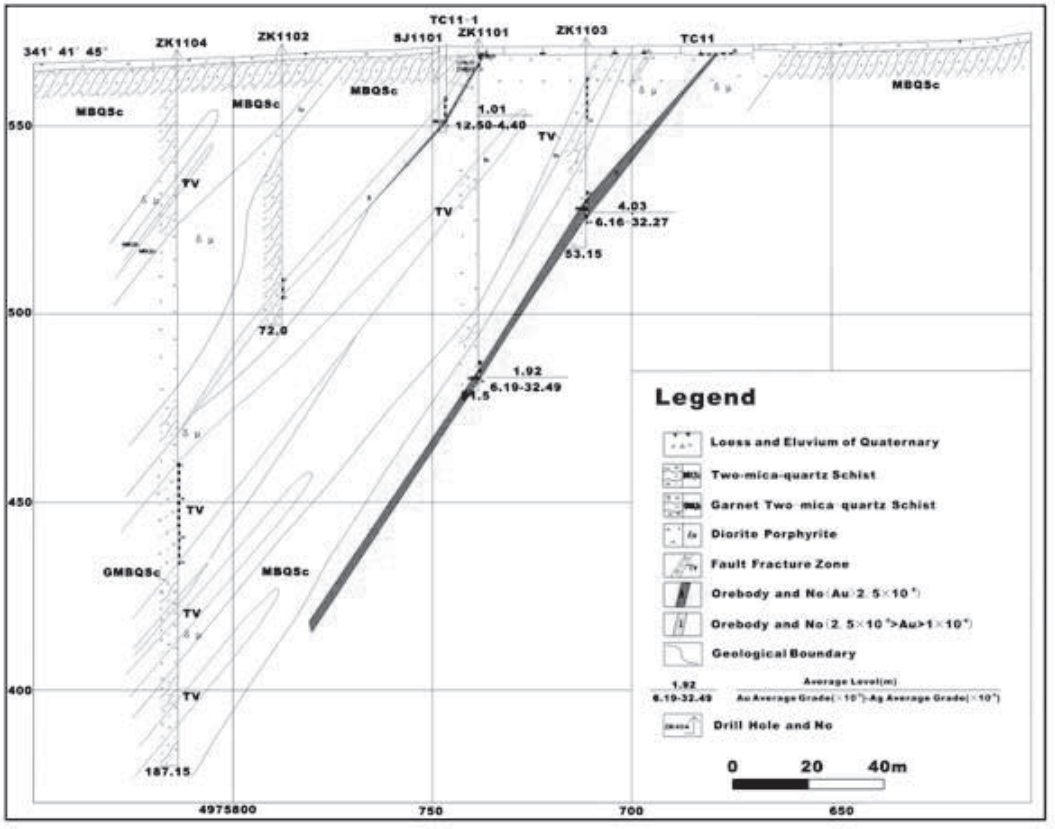
Figure 5-3: A Cross-Section of Nos. 1 and 2 Mineralized Bodies of Sishanlinchang Property



5.2.2 Features of No. 2 Mineralized Body

No. 2 mineralized body also occurs in the middle segment of Yanwangdian Formation, and in the hanging wall of diorite-porphyrite dyke. It is located at about 40-130m north-west and parallel to No. 1 mineralized body. On the surface, the mineralized body appears as a discontinuous thin vein, strikes north-easterly at 50° to 80°, and dips to north-west at 45° to 65°. The continuous length of the defined body (Au≥2.5g/t) is about 400m, the defined dipping depths range from 20 to 150m, and the thickness of the body is 0.88-2.80m, averaging 1.19m. The grades of gold are 2.61-12.5g/t, and the grades of silver are 4.45-440.00g/t, averaging 78.42g/t. Figures 5-3 and 5-4 show cross-sections of the body.

Figure 5-4: Cross-Section of P2-P2'



5.3 Mineralogy

The main ore minerals of the deposit are: native gold, calaverite, telluric silver, argentite, pyrite, chalcopyrite, galena, sphalerite; other useful minerals include arsenopyrite. The main gangue minerals are quartz (60-85%), feldspar and mica.

In the gold-silver mineralized bodies, in addition to Au and Ag, Pb, S and As have also reached the evaluation index for comprehensive utilization. During the development of the gold and silver resource in the future, the possible utilization of other useful components may also be taken into consideration. Table 5-1 gives the details about the useful and harmful elements.

Table 5-1: Table of Content of Beneficial and Harmful Components Accompanied in Ore

	Main Useful Components (g/t)		Beneficial Components (%)			Harmful Component
	Au	Ag	Pb	As	S	C
Ore content	2.52-40.00	1.44-188.20	0.03-5.78	0.14-2.34	0.09-21.26	0.15-4.7
Comprehensive Evaluation Index			0.2	0.2	2.0	

5.4 Sampling, Assaying and Quality Control

No. 1 Geological Brigade (2006) reported that the following programs (Table 5-2) were conducted in the deposit area during the period of 2004 and 2005.

Table 5-2: Exploration Programs Conducted on Jidong Sishanlinchang Project

Item	Unit	Amount Completed
1: 2,000 topographic survey	km^2	2
1: 10,000 geological survey	km^2	12
1: 2,000 geological mapping	km^2	2
1: 2,000 hydrogeological mapping	km^2	2
1: 10,000 hydrogeological survey	km^2	12
Adit	m	301
Shaft	m	50
Drilling	m	7,352.16
Shallow drilling	m	541.12
Trenching	m^3	11,407
Sample and assaying (gold and silver)	sample	1,780
Ore analysis sample	sample	10
Composite samples	sample	56
Thin and polishing sections	section	100
Specific gravity sample and test	sample	59

Drillings were conducted to test and define mineralized bodies in vertical depths. The opening diameter of a drill-hole is 110-130mm, and end of the hole the diameter is 91mm. The overall recovery of the drillings is greater than 75%, and that of mineralized body and its hanging wall and footwall is greater than 85%. Down-hole survey was conducted and recorded in accordance with Chinese regulations.

The trenches were distributed along exploration lines which are perpendicular to the strike of mineralized bodies. The opening of the trenches is 1.5-2.5m wide, and the bottom is greater than 60cm wide.

Shaft and tunneling were conducted to verify the mineralized bodies in shallow position of 20m deep.

Split core samples were taken from the drill cores, and channeling sampling was used to take samples from the trenches and tunnels with channel size of 10cm wide by 5cm deep. The core or channel sample is usually 1m long in length.

The central laboratory of No. 1 Geological Brigade conducted sample preparation and assaying of the project. The sample preparation abided the standard procedures as Chinese regulations require. Atomic absorption (AA) method was used to assay gold and silver. In 2004 program, totally 724 samples were taken for gold internal checking, and the qualification rate is 96%; 471 samples were taken for silver internal checking, and the qualification rate is 98%. In 2005, the samples for internal checking and qualification rate are 532, 99%, and 91, 96% for gold and silver, respectively. Three batches of samples were sent to Heilongjiang Provincial Central Laboratory for external checking. The sample number and qualification rate are 21, 90%, 20, 100%, and 54, 91% for Au and Ag, respectively.

SRK conducted a limited check of the mineralization by taking some grab samples from the dumping site near a shallow shaft and core samples from drilling cores. The samples were assayed in Inter-Tek lab near Beijing, which is an international laboratory with related qualifications. Table 5-3 lists the assaying results of the samples taken by SRK.

Table 5-3: Assays of SRK Checking Samples from Jidong Sishanlinchang Project

Sample No.	Au (g/t)	Ag (g/t)	As (%)	Pb (%)	Zn (%)	Comment
43LC-1-1	31.21	815.9	7.62	5.48	0.19	Grab sample
43LC-1-2	6.25	600.7	1.5	4.12	0.09	Grab sample
43LC-1903-1-1	23.72	589.8	3.59	9.75	0.75	Core
43LC-404-1-1	3.95	178.3	1.5	4.62	3.48	Core
43LC-2-1	0.67	11.2	0.18	0.1	0.27	Grab sample
43LC-1302-2-1	10.99	800.9	1.41	4.57	0.42	Core

From Table 5-3, it can be seen that the checking samples in general contain very good grades of gold and silver, and also good grades of lead. The contents of arsenic are also high in some samples. The results indicate that the mineralized bodies of Sishanlinchang project possess economic grades of gold, silver and lead, and that attentions should also be paid to the arsenic during the ore processing to minimize any potential environmental issues.

5.5 Mineral Resource Estimation

Industrial Indexes

No. 1 Geological Brigade (2006) conducted a resource estimate based on the exploration programs done in 2004 and 2005. The technical parameters used include:

- Cut-off grade: 1g/t gold
- Minimum block average grade: 2.5g/t
- Minimum Average Mineralized body grade: 4.5g/t
- Minimum mineable thickness: 0.8m
- Maximum thickness of waste band: 2m
- Specific Gravity: 2.9t/m^3

Resource /Reserve Estimation Method

Based on the occurrences of the mineralized bodies, i.e. occur as veins with dipping angles greater than 50 degrees, the geological block method with vertical longitudinal projection maps was adopted for estimation of mineral resource. Figures 5-5 and 5-6 show the projection maps.

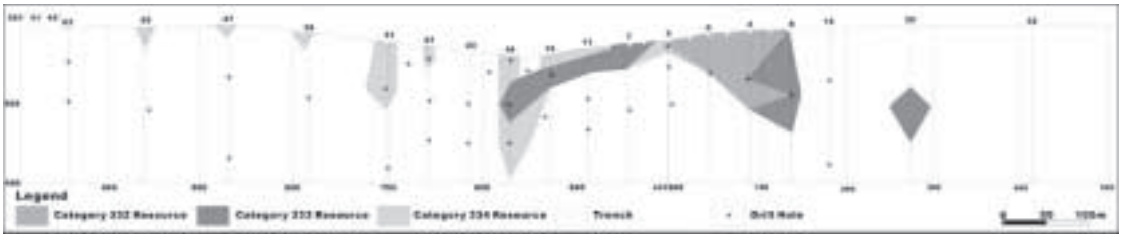
The samples with grades greater than the cut-off grade can be defined as mineralized body. Extrapolation is 1/2 of exploration line space, when only one line has intercepted a mineralized body. A grid of 50m (along strike) by 50m (along dip) may define 332 category resource, a grid of 100m by 100m may define the 333 resource, and the larger grid and extrapolation defines 334 resource. Table 5-4 gives the results of the resource estimation.

Table 5-4: Au and Ag Resource Estimation Result of Sishanlinchang Project (2006)

Resource		Gold		Silver	
Category	Tonnage	g/t	kg	g/t	kg
332	168,750	6.35	1,071	66.89	11,288
333	260,803	4.28	1,116	65.72	17,139
334	241,230	1.58	381	33.98	8,197
Total	**670,783**	**3.83**	**2,568**	**54.60**	**36,624**

Figure 5-5: Vertical Longitudinal Projection Map for Resource Estimation of No. 1 Body

Figure 5-6: Vertical Longitudinal Projection Map for Resource Estimation of No. 2 Body



SRK believes that a lower cut-off grade can be justified due to the current high market value of gold and silver.

Before 1999, China used a letter system to categorise reserves/resources. This has been replaced by a three number system. ***However, both the systems are different from the criteria used in defining a resource under the Australian Joint Ore Reserves Committee (JORC) code.*** The comparison of the Chinese and JORC Code systems is provided in Appendix 1. In general, Category 332 is similar to Indicated Resources and 333 to Inferred Resources. Category 334 usually can not be classified as a JORC Code resource.

Since the feasibility study about the development of the resource has not been completed yet, SRK cannot convert the resource into reserve. In theory, the 332 resource can partially be converted into a reserve which can be referred to Probable reserve in JORC.

5.6 Exploration Potential

As mentioned above, the Sishanlinchang region possesses favorable geological conditions for forming gold-silver-copper-moly deposits. In the south and north of the defined Nos. 1 and 2 bodies, there are Nos. 3, 4, 5 and 6 mineralized bodies. If the bodies occur within the permit area, they should have potential for more mineral resources. There are also some samples with grades greater than cut-off which were not used in the resource estimation. If the cut-off grade can be set lower, the estimated resource numbers should increase too.

6 REVIEW ON MILLING EXPERIMENTS

6.1 Introduction and Ore Properties

The majority of gold in Sishanlinchang gold deposit is found in native gold and the minority is found in the gold telluride, gold-silver telluride, silver telluride and argentite. The economical recoverable elements are gold and silver. The deposit contains very low amount of base metals which are not viable to be recovered economically. The particle size is fine grained and resin in pulp or carbon in pulp process may be used for the extraction of gold and silver.

Test work and study were executed employing both processes of cyanidation and flotation, and the previous one was chosen for its better result. The leaching rates from the cyanidation are 70.00% and 69.94% respectively for gold and silver. Soluble gold and silver adsorbed resin better than activated carbon that achieved an adsorption rate of 99.57% and 99.18% for gold and silver respectively. By adopting the resin in pulp process, the detailed leaching test was carried out and the achieved recovery rates of gold and silver are 69.70% and 69.37%, respectively.

Lithology

In the deposit, the metal sulfide mineral are mainly arsenopyrite, pyrite galena, sphalerite etc; the metal oxide minerals are scorodite, limonite, magnetite, hematite etc; non-metal minerals are quartz, feldspar, mica carbonate etc; precious metal mineral are native gold, gold telluride, gold-silver telluride, silver telluride and argentite. Table 6-1 lists the metal mineral contents in the ore, Table 6-2 lists the gold occurrence and Table 6-3 shows the gold particle distribution.

Table 6-1: Main Ore Minerals

Item	Arsenopyrite	Pyrite	Chalcopyrite	Galenite	Sphalerite	Scorodite, Limonite, Magnetite	Total
%	1.32	0.31	0.12	0.24	0.16	0.36	2.51

Table 6-2: Distribution of Gold

	Nature	Content/%	
Inclusions	arsenopyrite	2.4	29.8
	limonite	0.8	
	gangue	26.6	
Between Minerals	quartz grain	45.8	56.7
	arsenopyrite and quartz grain	8.4	
	pyrite and vein	1.8	
	arsenopyrite and pyrite vein	0.7	
Fissure	arsenopyrite fissures	9.3	13.5
	quartz fissures	4.2	

Table 6-3: gold particle size distributions

	>37 mm	37-10 mm	10-5 mm	<5	Total
Relative Content (%)	Little	9.2	42.6	48.2	100

6.2 Flowsheet Assessment

The 90% of the ore will be milled to 71 micron to achieve a slurry of 40% solid to 60% liquid. The slurry will be stirred with 10kg/t lime for 1 hour, leached with 1.2kg/t sodium cyanide for 10-12 hours, and mixed with 12kg/m3 D301 resin for adsorption.

Figure 6-1 flowsheet is recommended by the test works: two stage milling – thickening – alkaline preparation – cyanidation leaching – cyanidation – adsorption – resin and slurry separation – gold release from resin– pregnant solution electrolysis – silver and gold separation.

Cyanidation leaching is viable to extract the fine grained gold from the ore, however the leaching rate is only 70% and for the sample Xs2-1 the leaching rate is only 25.27%, which represent the difficulty in the leaching of this kind of ore. There may be two reasons behind this difficulty:

- The existence of fine grained gold and the inclusion gold make it very difficult to mill the gold cyanide amendable.

- The sulfide in the ore will form a sulfide or sulfate coat that prevent the reaction between gold and cyanide.

Based on the above two reasons the following test works are recommended to be conducted:

- Add calcium carbonate and sodium cyanide in the mill to increase the opportunity for the contact between gold and cyanide.

- Add aquae hydrogenic dioxide in the leaching tank to form a high oxidative leaching environment.

In fact, to extract gold the process of carbon in pulp is much more widely used than resin in pulp and here we recommend flow sheet 2 for the company's consideration (Figure 6-2).

Figure 6-1: Resin in Pulp Flow Sheet Recommended by the Test Works

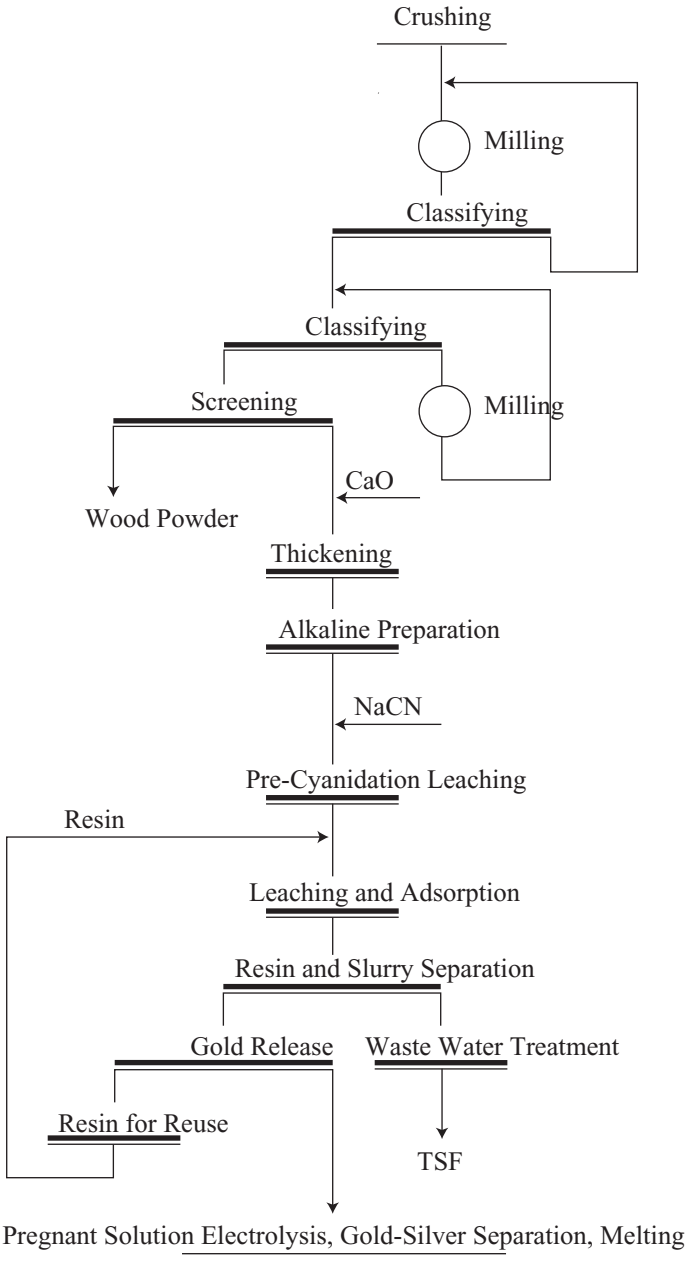
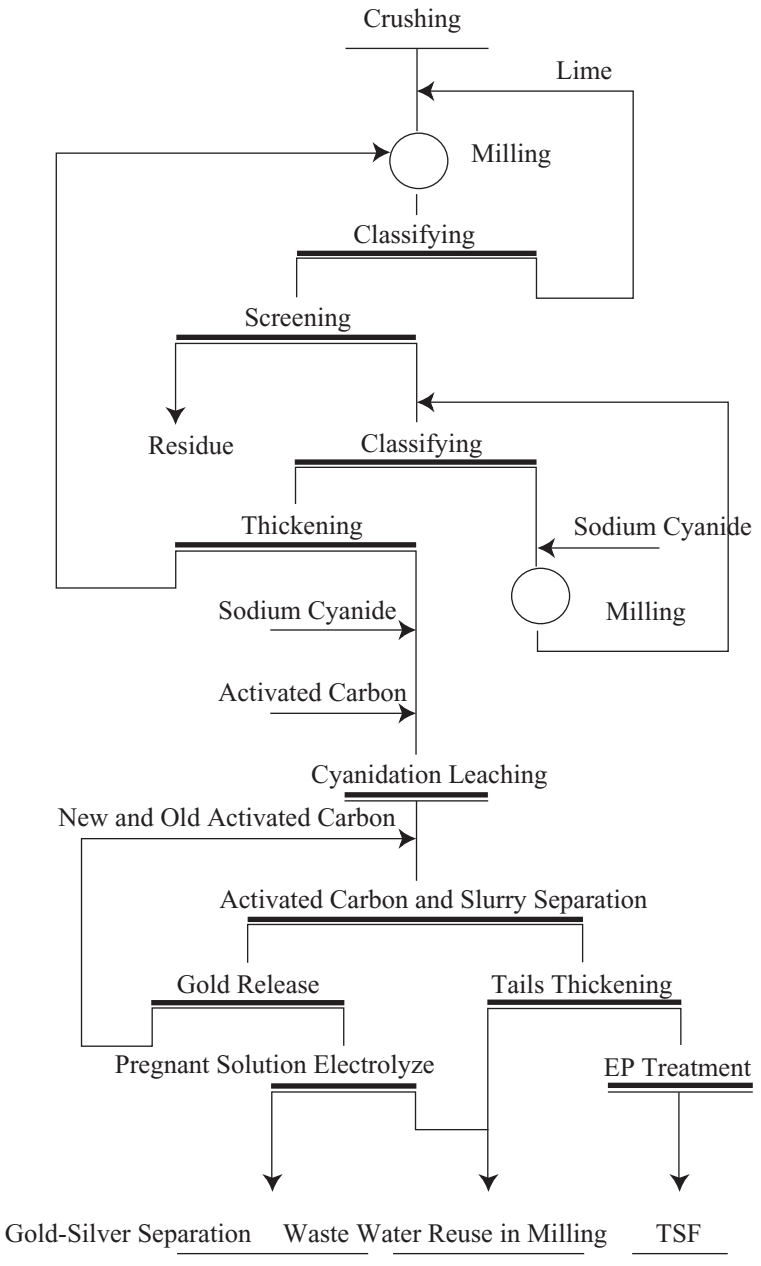


Figure 6-2: The Flow Sheet Recommended by SRK



7 REFERENCES

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No. 1 Geological Brigade, 2006. *The report on the detailed prospecting of Sishanlinchang Gold– silver deposit, Jidong county, Heilongjiang Province.*

8 ABBREVIATIONS AND GLOSSARY

ABBREVIATIONS

Ag	The symbol of chemical element silver
As	The symbol of chemical element arsenic
Au	The symbol of chemical element gold
gpt or g/t	grams per tonne
JORC	Australian Joint Ore Reserves Committee
No. 1 Geological Brigade	No. 1 Geological Brigade, Heilongjiang Bureau of Geology and Resources or First Institute of Geology Exploration Of Heilongjiang Province
Pb	The symbol of chemical element lead
S	The symbol of chemical element sulphur
SEHK	Stock Exchange of Hong Kong Limited
Sishanlinchang project	Sishanlinchang exploration permit
SRK	SRK Consulting
t	tonne, equivalent to 1,000kg
The Company	V.S. International Group Limited
¥	Symbol of Chinese currency, Renminbi Yuan
Yongchang	Heilongjiang Savoy Minerals Co., Ltd.
Zn	The symbol of chemical element zinc

GLOSSARY

acid-intermediate rocks	Magmas are grouped into compositional categories based on silica content: ultramafic (<45% silica), mafic (45-52% silica), intermediate (53-65% silica), and acid (>65% silica). Igneous rocks formed from each category of magma are called ultramafic rocks, mafic rocks, intermediate rocks and acid rocks..
adit	A horizontal or nearly horizontal passage driven from the surface. If driven through the hill or mountain to the surface on the opposite side, it would be a tunnel.
dip	Acute angle that a rock surface makes with a horizontal plane. Direction of dip is always perpendicular to strike.
dressing	A general term for the processes of milling and concentration of ores.
fault	Surface of rock rupture along which has been differential movement
feldspar	A monoclinic or triclinic mineral with the general formula XZ_4O_8 where (X = Ba, Ca, K, Na, NH_4) and (Z = Al, B, Si).
flotation	Process that begins concentration of ore minerals from gangue.
flowsheet	A diagram showing the progress of material through a preparation or treatment plant. It shows the crushing, screening, cleaning, or refining processes to which the material is subjected from the run-of-mine state to the clean and sized products.
gangue	Commercially valueless material remaining after ore-mineral extraction from rock.

geological block method	A method used to estimate a mineral resource in which the total resource tonnage is the summation of the tonnages of blocks defined by geological certainty (resource category), mineralisation types etc. An arithmetical average method is applied to calculate the parameters for estimating the tonnage of each block.
grade	The relative quantity or the percentage of ore-mineral or metal content in an orebody or sample.
granite	Coarse-grained igneous rock dominated by light-colored minerals, consisting of about 50 percent orthoclase, 25 percent quartz, and balance of plagioclase feldspars and ferromagnesian silicates. Granites and granodiorites comprise 95% of all intrusive rocks.
limonite	Iron oxide with no fixed composition or atomic structure; a mineraloid. Always of secondary origin, not a true mineral.
magmatic	Pertaining to magma, the naturally occurring molten rock, generated within the Earth and capable of intrusion and extrusion, from which igneous rocks are derived through solidification and related processes
mica	A group of phyllosilicate minerals having the general composition, $X_2Y_{4-6}Z_8O_{20}$ (OH, F) where X=(Ba, Ca, Cs, H (sub 3) O, K, Na, NH_4), Y=(Al, Cr, Fe, Li, Mg, Mn, V, Zn), and Z=(Al, Be, Fe, Si); may be monoclinic, pseudohexagonal or pseudo-orthorhombic; soft; perfect basal (micaceous) cleavage yielding tough, elastic flakes and sheets; colorless, white, yellow, green, brown, or black; excellent electrical and thermal insulators (isinglass); common rock-forming minerals in igneous, metamorphic, and sedimentary rocks.

mining block method	The mining block method is a method used to estimate mineral resource which may be used in feasibility study or mining design, in which the blocks are defined by tunnels and drilling, and have the same size as the proposed mining method requires. The resource estimate calculations are the same as the geological block method.
muscovite	"White mica." Nonferromagnesian rock-forming silicate mineral with tetrahedra arranged in sheets. Sometimes called potassic mica.
open circuit	In mineral dressing, a flow line in which the solid particles pass from one appliance to the next without being screened, classified, or otherwise checked for quality and no fraction is returned for retreatment.
plagioclase	A series of triclinic feldspars of general formula: (Na, Ca) Al (Si, Al) Si_2O_6.
pyrite	A sulphide mineral, iron sulphide, FeS_2.
quartz	A silicate mineral, SiO_2, composed exclusively of silicon-oxygen tetrahedra, with all oxygen atoms joined in a three-dimensional network. Crystal form is six-sided prism tapering at end, with prism faces striated transversely. An important rock-forming mineral.
sedimentary	Formed by the deposition of sediment
strike	The course or bearing of the outcrop of an inclined bed, vein, or fault plane on a level surface; the direction of a horizontal line perpendicular to the direction of the dip.
VALMIN Code	Code adopted by the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. The standard is binding upon all AusIMM and AIG members. The Valmin code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

APPENDIX 1 – RESOURCE AND RESERVE STANDARDS

Categorisation of Mineral Resources and Ore Reserves

The system for the categorising mineral resources and ore reserves in China is in a period of transition that commenced in 1999. The traditional system, derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence – Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources ("MLR") in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form "123". This new system is derived from the United Nations Framework Classification proposed for international use. All new projects in China must comply with the new system. However, estimates and feasibility studies carried out before 1999 will have used the old system.

Both the new and old systems are quoted in this report, because it is common for Chinese mining assets to be classified according to both systems. Wherever possible, the Chinese Resource and Reserve estimates have been reassigned by SRK to categories similar to those used by the JORC Code to standardize categorization. Although similar terms have been used, SRK does not mean to imply that in their present format they are necessarily classified as 'Mineral Resources' as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

	Chinese "Reserve" Category	
JORC Code Resource Category	**Previous system**	**Current system**
Measured	A	111, 111b, 121, 121b, 2M11, 2M21,
	B	2S11, 2S21, 331
Indicated	C	122, 122b, 2M22, 2S22, 332
Inferred	D	333
Non-equivalent	E	334

Relationship between JORC Code and the Chinese Reserves System

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority, and are based on the level of knowledge for that particular geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. The resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

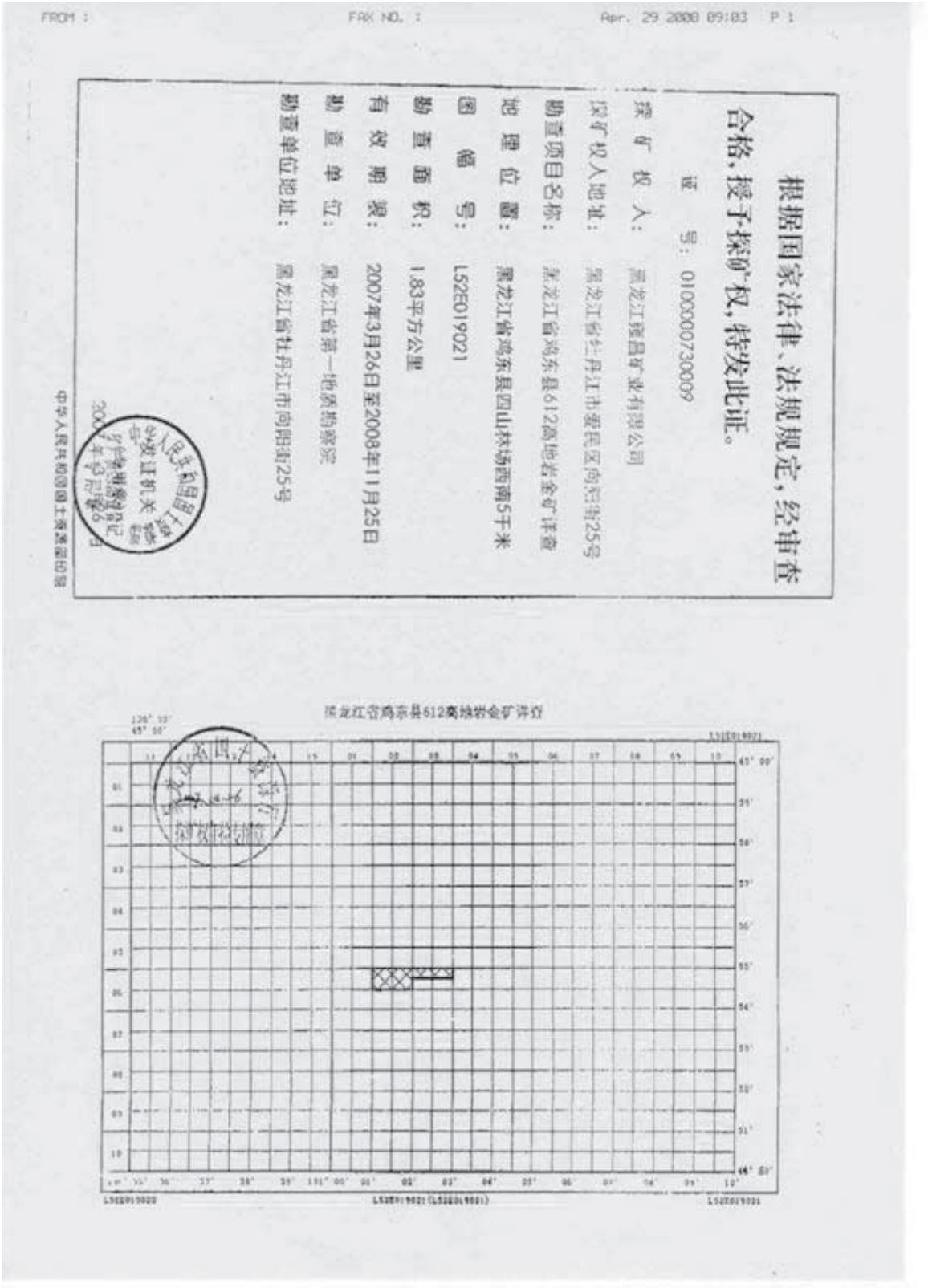
In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C & D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent "JORC Code type" category. The traditional Categories B, C and D are broadly equivalent to the 'Measured', 'Indicated', and 'Inferred' categories that are provided by the JORC Code and USBM/USGS systems used widely elsewhere in the world. In the JORC Code system the "Measured Resource" category has the most confidence and the 'Inferred' category has the least confidence, based on increasing levels of geological knowledge and continuity of mineralisation.

According to the new Chinese Category Scheme, as shown in the following table, the three numbers refer to economic, feasibility/mine design and geological degrees of confidence.

Definition of the new Chinese Resource Category Scheme

Category	Denoted	Comments
Economic	1	Full Feasibility Study considering economic factors has been conducted
	2	Pre-feasibility to scoping study which generally considers economic factors has been conducted
	3	No pre-feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping etc
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely-spaced data points (e.g. small-scale mapping)
	3	Minor work which projected throughout the area
	4	Review stage

APPENDIX 2 – EXPLORATION PERMIT



Sishanlinchang Exploration Permit