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 2008

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") has pleasure to present the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 January 2008, 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

(Expressed in Hong Kong dollars)

		For the six months ended 31 January	
		2008	2007
	Note	***$'000***	*$'000*
Turnover	*2*	**728,768**	793,620
Cost of sales		**(644,627)**	(670,294)
Gross profit		**84,141**	123,326
Other net income	*3*	**23,915**	6,768
Distribution costs		**(18,104)**	(18,233)
Administrative expenses		**(43,673)**	(42,978)
Other operating income/(expenses)		**120**	(120)
Profit from operations		**46,399**	68,763
Finance costs	*4(a)*	**(26,768)**	(26,579)
Share of profits less losses of associates		**1,630**	(4,249)
Profit before taxation	*4*	**21,261**	37,935
Income tax	*5(a)*	**(2,494)**	(5,984)
Profit for the period		**18,767**	31,951
Attributable to:			
Equity shareholders of the Company		**18,949**	32,084
Minority interests		**(182)**	(133)
Profit for the period		**18,767**	31,951
Earnings per share	*7*		
Basic		**2.19 cents**	3.78 cents
Diluted		**2.18 cents**	3.75 cents

CONSOLIDATED BALANCE SHEET – UNAUDITED
(Expressed in Hong Kong dollars)

	Note	At 31 January 2008 $'000	At 31 July 2007 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**797,008**	776,516
– Interests in leasehold land held for own use under operating leases		**24,703**	23,663
		821,711	800,179
Goodwill		**2,172**	2,172
Interests in associates		**21,790**	20,040
		845,673	822,391
Current assets			
Inventories		**150,543**	190,032
Trade and other receivables	*8*	**305,542**	301,265
Deposits with banks		**34,631**	65,527
Cash and cash equivalents		**127,388**	121,248
		618,104	678,072
Current liabilities			
Trade and other payables	*9*	**259,836**	294,561
Interest-bearing borrowings		**399,377**	523,651
Obligations under finance leases		**3,476**	3,676
Loan from a substantial shareholder		**4,896**	4,914
Current taxation	*5(b)*	**895**	–
		668,480	826,802
Net current liabilities		**(50,376)**	(148,730)
Total assets less current liabilities		**795,297**	673,661
Non-current liabilities			
Interest-bearing borrowings		**269,555**	190,275
Obligations under finance leases		**1,528**	3,297
Loan from a substantial shareholder		**17,136**	19,658
		288,219	213,230
NET ASSETS		**507,078**	460,431
CAPITAL AND RESERVES			
Share capital		**43,349**	43,349
Reserves		**459,826**	412,997
Total equity attributable to equity shareholders of the Company		**503,175**	456,346
Minority interests		**3,903**	4,085
TOTAL EQUITY		**507,078**	460,431

NOTES:
(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), 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 report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2007.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which term collectively includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA, that are effective for accounting periods beginning on or after 1 August 2007. The adoption of these new and revised HKFRSs did not result in significant changes to the accounting policies applied by the Company and the Group in this interim financial report for the periods presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of an interim financial report 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 interim financial report 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 2007. 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 report is unaudited, but has 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 2007 that is included in the interim financial report 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 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 September 2007.

As at 31 January 2008, the Group's current liabilities exceeded its current assets by $50.38 million. The directors have evaluated all the relevant facts available to them and are of the opinion that there does not exist any material adverse condition which would preclude the Group and the Company from renewing the current bank loans upon expiry or securing adequate banking facilities to enable the Group and the Company to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the interim financial report has been prepared on a going concern basis.

2 Segment reporting

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

(i) Business segments

The Group comprises the following main business segments:

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

	Plastic injection and moulding For the six months ended 31 January		Assembling of electronic products For the six months ended 31 January		Mould design and fabrication For the six months ended 31 January		Consolidated For the six months ended 31 January	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover from external customers	**501,460**	602,532	**114,296**	123,675	**113,012**	67,413	**728,768**	793,620
Segment results	**44,356**	81,385	**5,882**	5,693	**25,729**	17,497	**75,967**	104,575
Unallocated operating income and expenses							**(29,568)**	(35,812)
Profit from operations							**46,399**	68,763
Finance costs							**(26,768)**	(26,579)
Share of profits less losses of associates							**1,630**	(4,249)
Income tax							**(2,494)**	(5,984)
Profit for the period							**18,767**	31,951
Depreciation and amortisation for the period	**29,437**	25,077	**9,814**	9,142	**3,643**	3,704	**42,894**	37,923
Unallocated depreciation and amortisation							**2,658**	3,165
							45,552	41,088

(ii) Geographical segments

The Group's business participates in six (2007: six) 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:

	For the six months ended 31 January	
	2008	2007
	$'000	*$'000*
The People's Republic of China ("PRC") (other than Taiwan and Hong Kong)	**401,320**	474,313
Hong Kong	**114,908**	178,618
Northern Asia	**108,027**	51,318
Europe	**49,135**	35,054
South East Asia	**20,802**	31,053
United States of America	**34,515**	22,829
Others	**61**	435
	728,768	793,620

3 Other net income

	For the six months ended 31 January	
	2008	2007
	$'000	*$'000*
Interest income	**2,473**	4,579
Rental income	**4,222**	1,515
Change in fair value of forward foreign exchange contracts	**9,795**	–
Net gain on forward foreign exchange contracts	**2,380**	–
Net loss on disposal of fixed assets	**(125)**	(45)
Others	**5,170**	719
	23,915	6,768

4 Profit before taxation

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

(a) Finance costs:

	For the six months ended 31 January	
	2008	2007
	$'000	*$'000*
Interest on bank advances repayable within five years	**24,851**	26,052
Interest on loan from a substantial shareholder	**560**	685
Finance charges on obligations under finance leases	**219**	651
Total borrowing costs	**25,630**	27,388
Less: Borrowing costs capitalised as construction in progress*	**(46)**	(1,271)
	25,584	26,117
Other charges	**1,184**	462
	26,768	26,579

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 7.53% (2007: 7.03%) per annum for construction in progress.

(b) Other items:

	For the six months ended 31 January	
	2008	2007
	$'000	*$'000*
Processing fees	**7,457**	9,497
Amortisation of interests in leasehold land held for own use under operating leases	**254**	249
Depreciation		
– other assets	**44,290**	39,445
– assets held under finance leases	**1,008**	1,394
Operating lease charges in respect of properties		
– factory and hostel rentals	**6,164**	5,219
Impairment losses for doubtful debts (reversed)/charged	**(226)**	1,215
Impairment losses for interests in associates (reversed)/charged	**(120)**	120
Net foreign exchange (gains)/losses	**(744)**	3,538

5 Income tax

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

	For the six months ended 31 January	
	2008	2007
	$'000	*$'000*
Current tax – PRC		
Tax for the period	**2,494**	5,984

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 2008 and 2007.

Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax. Subsidiaries of the Company in the PRC which are foreign investment enterprises are granted certain tax relief, under which they are entitled to 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. After the expiry of the tax relief period, the subsidiaries' profits are subject to PRC income tax at the rate of 15% in 2007 and 18% in 2008.

Subsidiaries of the Company in the PRC were either entitled to income tax exemption or sustained losses for taxation purposes for the six months ended 31 January 2008 except for the following four subsidiaries of the Company in the PRC which are subject to standard or preferential income tax rate as follows:

Name of subsidiary	Period	Income tax rate
V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("**VS Zhuhai**")	1 August 2006 to 31 December 2006	10.0%
	1 January 2007 to 31 December 2007	15.0%
	1 January 2008 to 31 January 2008	18.0%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2006 to 31 December 2006	7.5%
	1 January 2007 to 31 December 2007	15.0%
	1 January 2008 to 31 January 2008	18.0%
V.S. Industry (Zhuhai) Co., Ltd.	1 August 2006 to 31 December 2006	Exempted
	1 January 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 January 2008	9.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 August 2006 to 31 December 2006	Exempted
	1 January 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 January 2008	9.0%

The export sales made by VS Zhuhai exceeded 70% of its total turnover for the twelve months ended 31 December 2006. Pursuant to relevant PRC tax regulations, VS Zhuhai can obtain approval from the relevant tax authorities for a 5% reduction in the income tax rate.

On 15 March 2007, approvals from the relevant tax authorities were obtained. Part of the income tax credit, which amounted to $3,213,000, was recognised as a reduction of income tax expenses during the financial year ended 31 July 2007. The remaining tax credit of $886,000 was utilised against the income tax expenses for the period ended 31 January 2008.

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

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 ("**new tax law**") which is effective from 1 January 2008. As a result of the new tax law, the income tax rate applicable to the above subsidiaries in the PRC will be gradually increased from its preferential income tax rates to 25% over a five-year transition period commencing from 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 applicable income tax rate will be 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from Corporate Income Tax.

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.

(b) Income tax in the consolidated balance sheet (unaudited) represents:

	At 31 January 2008	At 31 July 2007
	$'000	*$'000*
PRC income tax payable	**895**	–

(c) Deferred tax assets not recognised

No deferred tax assets in respect of accumulated tax losses of $41,512,000 (31 July 2007: $38,742,000) have been recognised as it is not probable that future taxable profits against which the losses can be utilised will be generated. Tax losses incurred by subsidiaries incorporated in the PRC expire five years after they are incurred. In addition, other deferred tax assets or liabilities have not been recognised as all the deductible or temporary differences are not material.

6 Dividends

(a) Dividends attributable to the interim period

The Directors do not recommend any payment of interim dividend for the six months ended 31 January 2008 (2007: Nil).

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

	For the six months ended 31 January	
	2008	2007
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of 1.0 cent (2007: 0.8 cent) per share	**8,670**	6,840

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $18,949,000 (2007: $32,084,000) and the weighted average number of 866,976,000 shares (2007: 848,590,103 shares) in issue during the six months ended 31 January 2008, calculated as follows:

	2008 Number of shares	2007 Number of shares
Issued ordinary shares at 1 August	**866,976,000**	827,806,022
Effect of share options exercised	**–**	20,784,081
Weighted average number of ordinary shares at 31 January	**866,976,000**	848,590,103

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $18,949,000 (2007: $32,084,000) and the weighted average number of ordinary shares of 867,670,340 (2007: 855,102,270) shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares at 31 January	**866,976,000**	848,590,103
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**694,340**	6,512,167
Weighted average number of ordinary shares (diluted) at 31 January	**867,670,340**	855,102,270

8 Trade and other receivables

	At 31 January 2008 *$'000*	At 31 July 2007 *$'000*
Trade receivables	**199,453**	220,394
Bills receivable	**38,834**	34,952
Less: allowance for doubtful debts	**(1,122)**	(2,018)
	237,165	253,328
Other receivables, prepayments and deposits	**45,856**	42,200
Refundable acquisition deposit	**10,853**	-
Unrealised gain on derivative financial instruments	**11,668**	5,737
	305,542	301,265

The Group paid a deposit of $10,853,000 to an independent third party ("**Possible Cooperation Partner**"), whose principal businesses include, amongst others, exploration of natural resources in the PRC, for an exclusive right of negotiation in relation to the strategic investment or cooperation between the Possible Cooperation Partner and the Group. If no agreement is reached, the Possible Cooperation Partner shall fully refund the deposit to the Group.

Bills discounted to banks with recourse totalling $17,308,000 (31 July 2007: $34,641,000) were included in bills receivable as at 31 January 2008.

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as at the balance sheet date:

	At 31 January 2008 *$'000*	At 31 July 2007 *$'000*
Within 30 days	**143,661**	166,100
Over 30 days but within 90 days	**70,783**	61,925
Over 90 days but within one year	**21,080**	25,303
Over one year but within two years	**1,641**	–
	237,165	253,328

Credit terms granted by the Group to customers generally range from 30 to 120 days.

9 Trade and other payables

	At 31 January 2008	At 31 July 2007
	$'000	*$'000*
Trade payables	**162,087**	208,364
Bills payable	**13,780**	–
Accrued expenses and other payables	**83,969**	86,197
	259,836	294,561

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

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as at the balance sheet date:

	At 31 January 2008	At 31 July 2007
	$'000	*$'000*
Due within 30 days or on demand	**70,238**	84,343
Due after 30 days but within 90 days	**82,082**	106,707
Due after 90 days but within 180 days	**9,767**	17,314
	162,087	208,364

10 Post balance sheet events

Equity disposal of two associates

On 23 February 2008, the Group entered into two equity disposal agreements with Wako (Hong Kong) Co., Limited (the "**Buyer**") to dispose of its 18.9% equity interests in Wako VS Nano Technologies (Hong Kong) Co., Ltd. ("**Wako VS HK**") and 35.1% equity interests in Wako VS Nano Technologies (Zhuhai) Co., Ltd. ("**Wako VS Zhuhai**") to the Buyer.

The total consideration receivable by the Group in connection with these transactions amounted to $5,435,000, to be satisfied in cash. At the end of the period, the carrying value of the investment was nil.

Deposit agreement

On 25 February 2008, the Company entered into a deposit agreement ("**Deposit Agreement**") with an independent third party (who, so far as the Directors are aware after making reasonable enquiries, is independent of, and is not connected with, the Directors, the chief executives or the substantial shareholders of the Company and its subsidiaries or any of their respective associates) ("**Possible Cooperation Partner**") in relation to a proposed investment ("**Proposed Investment**") by the Company to invest in a joint venture company ("**JV Company**") established in the PRC. The Possible Cooperation Partner is the Chinese party of the JV Company.

Pursuant to the Deposit Agreement, the Company will pay a refundable deposit amounting to $10,853,000 to the Possible Cooperation Partner to show the sincerity of the Company's intention to invest in the JV Company. The principal business of the JV Company is exploration of natural resources in Heilongjiang Province in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

The six months ended 31 January 2008 under review was a very challenging time for the manufacturing sector in China with rising production costs and operating expenses coupled with the appreciating Renminbi ("RMB") against United States ("US") dollars.

The Group's turnover reduced by 8.17% to $728.77 million in the period under review, compared to $793.62 million in the corresponding period last year. This was largely due to the shifting of certain products by certain customers whereby the product pricing is very market sensitive to other lower-cost countries in Asia.

However, our associated company in Vietnam has benefited from some of these reallocations of our customers' production requirements.

The Group's gross profit declined from $123.33 million to $84.14 million. The Group's gross profit margin showed a dip from 15.54% to 11.55% mainly due to higher production cost.

In light of those difficult conditions, the management is contended that the Group is still managed to record a profit attributable to shareholders of $18.95 million for the period as compared to $32.08 million of the corresponding period last year. The Group recorded basic earnings per share of 2.19 cents, compared to 3.78 cents of the corresponding period last year.

BUSINESS AND FINANCIAL REVIEW

The performance of the Group in various business segments – ***plastic injection and moulding, assembling of electronics products, and mould design and fabrication business*** for the six months ended 31 January 2008 is described below.

Plastic injection and moulding business

Plastic injection moulding business generated $501.46 million, contributing 68.81% to the Group's turnover as compared to $602.53 million and 75.92% respectively for the corresponding period last year due to loss of certain product lines to other more cost competitive manufacturers in the region.

The segment margin reduced from 13.51% to 8.85% and recorded a total segment result of $44.36 million as compared to $81.39 million in the corresponding period last year.

Assembling of electronics products business

This segment contributed $114.30 million during the six months under review compared to $123.68 million in the previous corresponding period.

Meanwhile, the Group continued to see increased sales for printed circuit board for electronic products using surface mounting technologies in the period under review. This was due to our strong relationships with existing customers who had confidence in our high quality services as well as timely delivery.

This segment contributed a segment result of $5.88 million for the period under review compared to $5.69 million of the corresponding period last year.

Mould design and fabrication business

The mould design and fabrication business was the star performer of the Group achieving a growth of 67.65% over the corresponding period, recording turnover of $113.01 million as compared to $67.41 million of the corresponding period last year. The turnover were primarily generated from the portfolio of regular customers who work closely with us.

This segment reported a segment result of $25.73 million, representing an increase of 47.03%, as compared to $17.50 million in the corresponding period last year. However, the segment margin decreased slightly from 25.96% to 22.77% due to the higher costs during the period under review.

Distribution costs and administrative expenses

For the six months under review, the Group's distribution costs reduced by 0.71% year-on-year to $18.10 million, from $18.23 million in the corresponding period last year despite the drop in sales of 8.17%. The distribution costs remained comparable to corresponding period last year mainly due to increase in labour cost as well as transportation related costs.

Meanwhile, the Group's administrative expenses increased by 1.61% to $43.67 million in the six months under review as compared to $42.98 million in the corresponding period last year. The Group has recognised part of the fair value of share options granted amounting to $5.94 million during the six months under review out of the total amount of $6.56 million.

Finance costs

The Group's finance costs remained comparable to the previous corresponding period. The increase in interest rate was compensated by reduce of bank borrowings.

Other net income

Other net income recorded $23.92 million in the period under review as compared to $6.77 million previously. The increased contribution was mainly due to the realised and unrealised gains on forward foreign exchange contracts amounting to $2.38 million and $9.80 million respectively and income tax refund in respect of reinvestment of profit of $5.36 million.

FUTURE PROSPECTS

The manufacturing industry will continue to face challenges in its operating environment in China. To minimise the impact, the Group will strive to enhance its automation to increase productivity and to reduce cost. With regard to the appreciation of RMB against US dollar, the Group will monitor the trend closely and make use of any available financial instruments to hedge the foreign exchange risk.

The Group will continue to strengthen the marketing and promotion of providing a complete set of one-stop services to customers, from tool and mould design to injection and product assembly, as opposed to being a single-service provider. The Group will also focus efforts on winning contracts to manufacture complete products and undertake turnkey projects, rather than produce subsections or product components. The Group is currently negotiating turnkey projects with a few big potential customers in automobile sector in Europe.

The Group's associate in Vietnam, an emerging economy, is expected to benefit from its cost competitive advantage and the rising manufacturing activities in Vietnam.

At the same time, in order to broaden the Group's earnings base, the Group plans to seek business opportunity in natural resources industry in China.

OTHER INFORMATION

Liquidity and financial resources

At the end of the period, the Group had cash and bank deposits of $162.02 million (2007: $186.78 million) of which $34.36 million (2007: $65.53 million) were pledged to the banks for banking facilities granted to the Group. The cash and bank deposits were denominated in US dollars, RMB and Hong Kong dollars at the ratio of 66.46%, 30.35% and 3.19% respectively.

The Group's total borrowings at 31 January 2008 amounted to $695.97 million (2007: $745.47 million), inclusive of a loan from substantial shareholder of $22.03 million (2007: $24.57 million). The borrowings were mainly utilised for working capital purpose with interest rates ranging from 4.75% per annum to 9.75% per annum. The amounts of borrowings dominated in US dollars, RMB and Hong Kong dollars were $323.47 million, $165.67 million and $206.83 million respectively.

The Group's net current liabilities have improved to $50.38 million at 31 January 2008 as compared to $148.73 million as at 31 July 2007. This reduction was mainly due to repayment of bank loans and conversion of certain short term loans to long term loans.

CHARGES ON ASSETS

As at 31 January 2008, certain assets of the Group with aggregate carrying value of $505.44 million (2007: $508.41 million) were pledged to secure banking facilities and trade financing facilities granted to the Group.

Foreign exchange exposure

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in RMB and US dollars. The Group's policy is to match the currency mix of its loan portfolio with that of its revenue.

During the six months under review, the Group recorded realised and unrealised gains on forward foreign exchange contracts amounting to $2.38 million and $9.80 million respectively as a result of the continuous appreciation of RMB against US dollars.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2008, the Group had a total number of 7,369 (31 July 2007: 8,166) employees. On top of that, 735 (31 July 2007: 1,110) persons were engaged by the Providers under processing arrangements. During the six months under review, there was no significant changes in the Group's remuneration policies for its employees.

Employees' costs of the Group (excluding Directors' emoluments and wages paid to employees employed under the processing arrangements with the Providers) for the six months under review amounted to $98.98 million (31 January 2007: $94.83 million). The Group's remuneration packages are maintained at competitive levels and the Group's employees are rewarded on a performance basis and according to the experience of the individual employees.

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 required by the relevant laws, rules and regulations of the PRC.

The Company also implements a share option scheme to provide incentives to eligible participants to participate in the Group's success.

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

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

AUDIT COMMITTEE

The Board established the Audit Committee on 20 January 2002 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review the Group's financial reporting process, internal controls system and financial statements.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow.

The Audit Committee has reviewed the Group's interim financial statements for the six months ended 31 January 2008 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 in the Code on Corporate Governance Practices ("**Code**") as set out in Appendix 14 of the Listing Rules throughout the period except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

A.2.1 of the Code stipulates that 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 A.2.1 of the Code as part of Mr. Beh Kim Ling's duties overlap with those of the managing director, who is in practice the chief executive officer. Mr. Beh Kim Ling as the founder of the Group 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 adopted on 30 September 2004 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 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 Directors during the period with the SD Code and Appendix 10 to the Listing Rules.

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

Independent non-executive Directors:
Mr. Diong Tai Pew
Mr. Cheung Kwan Hung, Anthony
Mr. Tang Sim Cheow

Non-executive Director:
Mr. Gan Tiong Sia

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

Macau, Special Administrative Region of the PRC
20 March 2008