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 2007

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 2007, which has not been audited by the auditors of the Group, KPMG, but has been reviewed by KPMG and the audit committee ("**Audit Committee**") of the Board.

CONSOLIDATED INCOME STATEMENT – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	For the six months ended 31 January 2007 *$'000*	2006 *$'000*
Turnover	*2*	**793,620**	715,532
Cost of sales		**(670,294)**	(599,446)
Gross profit		**123,326**	116,086
Other net income/(losses)	*3(a)*	**6,768**	(432)
Distribution costs		**(18,233)**	(11,162)
Administrative expenses		**(42,978)**	(41,179)
Other operating expenses		**(120)**	–
Profit from operations		**68,763**	63,313
Finance costs	*3(b)*	**(26,579)**	(24,475)
Share of losses of associates		**(4,249)**	(2,973)
Profit before taxation	*3*	**37,935**	35,865
Income tax	*4(a)*	**(5,984)**	(401)
Profit for the period		**31,951**	35,464
Attributable to:			
Equity shareholders of the Company		**32,084**	35,041
Minority interests		**(133)**	423
Profit for the period		**31,951**	35,464
Earnings per share	*6*		
Basic		**3.78 cents**	4.26 cents
Diluted		**3.75 cents**	4.20 cents

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

	Note	At 31 January 2007 $'000	At 31 July 2006 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**745,150**	722,818
– Interests in leasehold land held for own use under operating leases		**23,098**	22,816
		768,248	745,634
Goodwill		**2,172**	2,172
Interests in associates		**7,638**	12,007
		778,058	759,813
Current assets			
Inventories		**166,276**	162,593
Trade and other receivables	*7*	**356,531**	283,908
Deposits with banks		**116,874**	79,871
Cash and cash equivalents		**107,594**	161,485
		747,275	687,857
Current liabilities			
Trade and other payables	*8*	**298,254**	274,362
Interest-bearing borrowings		**604,189**	508,422
Obligations under finance leases		**4,660**	11,415
Loan from a substantial shareholder		**4,903**	4,879
Current taxation	*4(b)*	**586**	917
		912,592	799,995
Net current liabilities		**(165,317)**	(112,138)
Total assets less current liabilities		**612,741**	647,675
Non-current liabilities			
Interest-bearing borrowings		**165,100**	236,782
Obligations under finance leases		**5,004**	6,974
Loan from a substantial shareholder		**22,063**	24,395
		192,167	268,151
NET ASSETS		**420,574**	379,524
CAPITAL AND RESERVES			
Share capital		**42,767**	41,961
Reserves		**373,409**	332,453
Total equity attributable to equity shareholders of the Company		**416,176**	374,414
Minority interests		**4,398**	5,110
TOTAL EQUITY		**420,574**	379,524

Notes:
(Expressed in Hong Kong dollars)

1 Basis of preparation

(a) 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 2006, except as disclosed in note 1(b).

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 HKICPA that are effective for accounting periods beginning on or after 1 August 2006. 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 judgments, 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 and the Group's interests in associates since the annual financial statements for year ended 31 July 2006. 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 Statement of Auditing Standards 700, "Engagements to review interim financial reports", issued by the HKICPA.

The financial information relating to the financial year ended 31 July 2006 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 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 September 2006.

As at 31 January 2007, the Group's current liabilities exceeded its current assets by approximately $165.32 million. At the date of this announcement, the Group has obtained an offer letter from a bank which currently provides borrowings to the Group to convert short term borrowings totalling $158.00 million to long term borrowings. Accordingly, the interim financial report has been prepared on a going concern basis.

(b) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the income statement, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

As at 31 January 2007, the Group has certain forward exchange contracts with aggregate notional contract amounts of US$35,500,000. The net fair value of the forward exchange contracts at 31 January 2007 was not significant in the context of the interim financial report. All of the forward exchange contracts have maturities of less than one year after the balance sheet date.

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	:	assembly and sales of electronic products, including processing fees generated from assembling of electronics 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**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover from external customers	**602,532**	568,897	**123,675**	97,819	**67,413**	48,816	**793,620**	715,532
Segment results	**81,385**	79,872	**5,693**	7,825	**17,497**	10,478	**104,575**	98,175
Unallocated operating income and expenses							**(35,812)**	(34,862)
Profit from operations							**68,763**	63,313
Finance costs							**(26,579)**	(24,475)
Share of losses of associates							**(4,249)**	(2,973)
Income tax							**(5,984)**	(401)
Profit for the period							**31,951**	35,464
Depreciation and amortisation for the period	**25,077**	23,942	**9,142**	8,843	**3,704**	3,995	**37,923**	36,780
Unallocated depreciation and amortisation							**3,165**	3,651
							41,088	40,431

(ii) ***Geographical segments***

The Group's business participates in six (2006: 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	
	2007	2006
	$'000	*$'000*
People's Republic of China ("PRC") (other than Taiwan and Hong Kong)	**474,313**	418,085
Hong Kong	**178,618**	186,069
Northern Asia	**51,318**	38,462
Europe	**35,054**	22,703
South East Asia	**31,053**	22,973
United States of America	**22,829**	26,850
Others	**435**	390
	793,620	715,532

3 Profit before taxation

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

	For the six months ended 31 January	
	2007	2006
	$'000	*$'000*
(a) Other net (income)/losses:		
Interest income	**(4,579)**	(2,922)
Rental income	**(1,515)**	(1,353)
Net loss on disposal of fixed assets	**45**	4,585
Others	**(719)**	122
	(6,768)	432

	For the six months ended 31 January	
	2007	2006
	$'000	*$'000*
(b) Finance costs:		
Interest on bank advances repayable within five years	**26,052**	22,879
Interest on loan from a substantial shareholder	**685**	857
Finance charges on obligations under finance leases	**651**	791
Total borrowing costs	**27,388**	24,527
Less: Borrowing costs capitalised as construction in progress *	**(1,271)**	(679)
	26,117	23,848
Other charges	**462**	627
	26,579	24,475

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 7.03% (2006: 5.70%) per annum for construction in progress.

	For the six months ended 31 January	
	2007	2006
	$'000	*$'000*
(c) Other items:		
Processing fees	**9,497**	8,546
Amortisation of interests in leasehold land held for own use under operating leases	**249**	211
Depreciation		
– other assets	**39,445**	37,891
– assets held under finance leases	**1,394**	2,329
Operating lease charges in respect of properties		
– factory and hostel rentals	**5,219**	4,324
Impairment losses for doubtful debts charged/(reversed)	**1,215**	(214)
Impairment losses for interests in associates	**120**	–
Net foreign exchange losses/(gains)	**3,538**	(575)

4 Income tax

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

	For the six months ended 31 January	
	2007	2006
	$'000	*$'000*
Current tax – PRC		
Tax for the period	**5,984**	401

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 2007 and 2006.

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 that 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%.

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 2007 except for following four subsidiaries of the Company in 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.	1 August 2005 to 31 December 2005	7.5%
	1 January 2006 to 31 January 2007	15.0%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2005 to 31 December 2006	7.5%
	1 January 2007 to 31 January 2007	15.0%
V.S. Industry (Zhuhai) Co., Ltd.	1 January 2007 to 31 January 2007	7.5%
Qingdao GS Electronics Plastic Co., Ltd.	1 January 2007 to 31 January 2007	7.5%

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.

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 2007	At 31 July 2006
	$'000	*$'000*
PRC income tax payable	**586**	917

(c) Deferred tax assets not recognised

No deferred tax assets in respect of accumulated tax losses of $22,152,000 (31 July 2006: $27,552,000) have been recognised as it is not probable that the Group will be able to generate future taxable profits against which the losses can be utilised. Under the relevant PRC tax rules and regulations, the tax losses as at 31 January 2007 will expire between year 2008 and year 2011. In addition, other deferred tax assets or liabilities have not been recognised as all the deductible or temporary differences are not material.

5 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 2007 (31 January 2006: 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	
	2007	2006
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of 0.8 cents (2006: 0.8 cents) per share	**6,840**	6,606

During the period from the date of proposal of the final dividend for the year ended 31 July 2006 to the date of approval of such final dividend, 15,810,000 share options were exercised. Accordingly, a final dividend amounting to $6,840,000 was approved and paid during the period.

6 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 $32,084,000 (2006: $35,041,000) and the weighted average number of 848,590,103 shares (2006: 822,323,391 shares) in issue during the six months ended 31 January 2007, calculated as follows:

	2007	2006
	Number of shares	*Number of shares*
Issued ordinary shares at 1 August	**827,806,022**	820,000,000
Effect of share options exercised	**20,784,081**	2,323,391
Weighted average number of ordinary shares at 31 January	**848,590,103**	822,323,391

(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 $32,084,000 (2006: $35,041,000) and the weighted average number of ordinary shares of 855,102,270 (2006: 833,458,705) shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

	2007 *Number of shares*	2006 *Number of shares*
Weighted average number of ordinary shares at 31 January	**848,590,103**	822,323,391
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**6,512,167**	11,135,314
Weighted average number of ordinary shares (diluted) at 31 January	**855,102,270**	833,458,705

7 Trade and other receivables

	At 31 January 2007 ***$'000***	At 31 July 2006 *$'000*
Trade receivables	**278,452**	210,809
Bills receivable	**31,439**	30,841
Other receivables, prepayments and deposits	**46,640**	42,258
	356,531	283,908

Bills discounted to banks with recourse totalling $31,355,000 (31 July 2006: $22,676,000) were included in bills receivable as at 31 January 2007.

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 2007 ***$'000***	At 31 July 2006 *$'000*
Within 30 days	**135,404**	126,614
Over 30 days but within 90 days	**146,965**	85,411
Over 90 days but within one year	**27,522**	29,625
	309,891	241,650

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

8 Trade and other payables

	At 31 January 2007 ***$'000***	At 31 July 2006 *$'000*
Trade payables	**209,107**	191,033
Bills payable	**19,422**	4,873
Accrued expenses and other payables	**69,725**	78,456
	298,254	274,362

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 2007 ***$'000***	At 31 July 2006 *$'000*
Due within 30 days or on demand	**92,258**	84,561
Due after 30 days but within 90 days	**112,366**	87,968
Due after 90 days but within 180 days	**18,905**	18,504
Due after 180 days but within one year	**5,000**	4,873
	228,529	195,906

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

During the financial period under review, the Group continued to implement and execute various strategies to widen its customer base and impose stringent cost control measures.

Despite the challenging operating environment, the Group's turnover and profit before taxation increased to $793.62 million and $37.94 million representing an increase of 10.91%, and 5.77% respectively as compared to previous corresponding period. However, due to higher tax expense as a result of the expiry of certain tax incentives, net profit after taxation was reduced by $3.51 million to $31.95 million.

BUSINESS AND FINANCIAL REVIEW

Turnover and gross profit by business activities of the Group

Plastic injection moulding business

During the financial period under review, this segment remained the Group's core business, contributed 75.92% of the Group's turnover. The turnover for the plastic injection moulding business increased to $602.53 million as compared to the previous corresponding period of $568.90 million, representing an increase of 5.91%. The increase was mainly attributable to increased orders from existing core customers and new customers.

The segment's margin increased to $81.39 million as compared to the previous corresponding period of $79.87 million. With higher utilization of production capacity and stringent cost control, we were able to achieve a margin of 13.51% as compared to previous corresponding period of 14.04%, notwithstanding the increase in raw materials and production overheads.

Assembling of electronic products business

Turnover for the assembling of electronic products business increased from $97.82 million to $123.68 million, representing an increase of 26.44% due to increased orders from existing customers. However, due to competitive market conditions, the margin from this segment declined from 8.00% to 4.60%.

Mould design and fabrication business

Mould design and fabrication business recorded a remarkable growth in turnover to $67.41 million, representing an increase of 38.08% as compared to the previous corresponding period.

The Group's ability in delivery of quality mould within short production time had attracted more orders from existing and new customers. As a result, profit margin had increased from 21.46% to 25.96%.

Distribution and administrative expenses

During the period under review, the distribution expenses amounted to $18.23 million, representing 2.30% of turnover as compared to 1.56% of previous corresponding period. The increase in distribution expenses was primarily due to the impairment losses for bad and doubtful debts of $1.22 million and the increase in transportation costs for overseas delivery requested by certain customers.

The Group recorded administrative expenses of $42.98 million as compared to the previous corresponding period of $41.18 million.

Finance costs

The Group incurred finance cost amounted to $26.58 million as compared to the previous corresponding period of $24.48 million, representing an increase of $2.10 million. The increase was primarily due to increase in interest rates during the period.

Share of losses of associates

The Group's share of associates' losses amounted to $4.25 million as compared to the previous corresponding period of $2.97 million. The losses incurred were mainly attributable to the under utilisation of production capacity in Wako VS Nano Technologies (Zhuhai) Co., Ltd. ("Wako VS Zhuhai"), a company which engages in the manufacturing of plastic parts and components using spray painting technology.

During the financial period under review, the management had written off the Group's investment in Wako VS Zhuhai due to the continuous losses incurred.

FUTURE PROSPECTS

Overall, the Directors are satisfied with the Group's financial results during the period under review. The Group's objective has always been to maximise the long term value of the shareholders, even though this may be achieved at the expense of temporary high financial leverage in support of the expansion programme. The Directors consider that the current financial leverage situation is manageable and that it will help the Group to build a solid platform for future prosperity.

The plastic injection and moulding business have demonstrated continuous growth over the past few years and looking forward, the Group will continue to enhance its plastic injection and moulding business. The Group's success in upgrading its quality in mould design and fabrication services had and will further complement its plastic injection and assembly business in the foreseeable future.

The Group had been successful in establishing a new business line in assembling digital photo printer and is anticipating an increase in the turnover and profit contribution from this new business.

The newly set up factory in Qingdao, namely Qingdao GP Electronic Plastics Co., Ltd., a wholly own subsidiary of the Company, has started operating during the financial period under review. With the strengthening of our production facilities in Qingdao, the Group is anticipating higher contributions of turnover and profitability from Northern China.

The Directors are aware that the Group will continue to face challenges in the next six months in the midst of rising cost in China, appreciating Renminbi ("RMB") and higher interest rates which may continue to have adverse impact on our profitability. However, the management is confident that the measures taken which include procuring higher value added orders, enhancing the enterprise resources management and working capital management will minimise the impact.

OTHER INFORMATION

Liquidity and Financial Resources

During the financial period under review, the Group financed its operations through a combination of shareholders' funds, internally generated cash flows and additional borrowings from banks in Hong Kong and the PRC.

As at 31 January 2007, the Group had cash and bank deposits of $224.47 million (31 July 2006: $241.36 million) of which $104.35 million (31 July 2006: $61.33 million) were pledged to banks for banking facilities granted to the Group. The cash and bank deposits were denominated in United States ("US") dollars, RMB and Hong Kong dollars in the proportion of 64.91%, 28.76% and 6.33% respectively.

The Group's total borrowings stated at $805.92 million (31 July 2006: $792.87 million) included a shareholder's loan of $26.97 million (31 July 2006: $29.27 million). The borrowings were utilised for capital expenditure and working capital purposes with interest rates ranging from 5.27% per annum to 9.75% per annum. The amounts of borrowings denominated in US dollars, RMB and Hong Kong dollars in the amount of $350.45 million, $443.05 million and $12.42 million respectively.

At the date of this announcement, the Group has obtained an offer letter from a bank to provide HK$158.00 million long term borrowings. The Directors will continue to monitor the borrowings level and attempt to reduce gearing ratio in the years ahead.

Charges on Assets

As at 31 January 2007, certain assets of the Group with aggregate carrying value of HK$589.51 million (31 July 2006: HK$491.32million) were pledged to secure loan and trade financing facilities for the Group.

Foreign Exchange Exposure

The Group's exposure to foreign exchange rate fluctuations during the period under review including turnover, purchases and borrowings, was denominated in US dollars, Japanese Yen and RMB. With the appreciation of RMB against US dollars, the Group reported a net exchange loss of $3.54 million during the period under review, against a net exchange gain of $0.57 million in the last corresponding period. The Group foresees that RMB will continue to strengthen against US dollars and the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

Employees and Remuneration Policy

As at 31 January 2007, the Group had a total number of 8,580 employees (31 July 2006: 7,864). On top of that, 1,259 (31 July 2006: 1,193) persons were engaged by certain independent third parties under processing arrangements. During the period under review, there was no significant change 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 period under review amounted to $94.83 million (31 January 2006: $89.92 million). The Group's remuneration packages are maintained at competitive level 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 as required under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong. It also participates in a government pension scheme for its employees in the PRC pursuant to the relevant laws, rules and regulations of the PRC.

The Group also operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The Board granted options under the Scheme to subscribe for shares of the Company to its employees and Directors.

Purchase, redemption or sale of the Company's listed securities

During the period 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 provisions set out in the Appendix 14 to the Listing Rules. The Audit Committee was re-constituted on 30 September 2004. The primary duties of the Audit Committee are to review the Group's financial reporting process, internal controls system and Group's 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 report for the six months ended 31 January 2007 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 have been made.

Compliance with Appendix 14 to the Listing Rules

Save that the non-executive Director and two of the independent non-executive Directors are not appointed for specific terms, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the six months ended 31 January 2007, in compliance with the relevant requirements of Appendix 14 to the Listing Rules. The Board is considering to change the term of appointment of such Directors to a specific term.

Compliance with Appendix 10 to the Listing Rules

The Company adopted on 30 September 2004 its new securities dealing code ("New 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 the revised Appendix 10 to the Listing Rules which came into effect on 31 March 2004.

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period under review with the New 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

Non-executive Director:
Mr. Gan Tiong Sia

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

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

Zhuhai, the PRC
28 March 2007

Please also refer to the published version of this announcement in The Standard.