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 2005

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") is pleased to announce the consolidated results (unaudited) of the Company and its subsidiaries (together, "**Group**") for the six months ended 31 January 2005, 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)

	Note	**Six months ended 31 January 2005** *HK$'000*	2004 *HK$'000*
Turnover	*2*	**619,721**	519,282
Cost of sales		**(521,703)**	(445,826)
		98,018	73,456
Other net losses		**(5,582)**	(1,366)
Distribution expenses		**(12,264)**	(9,983)
Administrative expenses		**(40,762)**	(36,724)
Profit from operations		**39,410**	25,383
Finance costs	*3(a)*	**(24,554)**	(20,014)
Non-operating expense		**(318)**	(1,175)
Share of losses of associates		**(403)**	–
Profit from ordinary activities before taxation	*3*	**14,135**	4,194
Income tax	*4*	**(2,360)**	(2,139)
Profit from ordinary activities after taxation		**11,775**	2,055
Minority interests		**(808)**	(97)
Profit attributable to shareholders		**10,967**	1,958
Dividends attributable to the period:	*5*		
Dividend declared during the period		**4,100**	4,100
Interim dividend proposed after the balance sheet date		**–**	–
Earnings per share	*6*		
– Basic		**HK1.34 cents**	HK0.24 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	At 31 January 2005 HK$'000	At 31 July 2004 HK$'000
Non-current assets			
Fixed assets		**835,379**	870,904
Construction in progress		**16,531**	17,300
Goodwill		**2,309**	2,446
Interest in associates		**12,215**	–
		866,434	890,650
Current assets			
Inventories		**158,508**	162,213
Trade and other receivables	*7*	**258,343**	250,440
Deposits with banks		**156,080**	135,606
Cash and cash equivalents		**91,517**	104,416
		664,448	652,675
Current liabilities			
Trade and other payables	*8*	**344,763**	329,252
Bank loans and overdrafts		**329,318**	337,552
Current portion of obligations under finance leases		**13,815**	16,861
Loan from a substantial shareholder		**4,892**	4,892
Taxation		**961**	170
		693,749	688,727
Net current liabilities		**(29,301)**	(36,052)
Total assets less current liabilities		**837,133**	854,598
Non-current liabilities			
Non-current portion of bank loans		**363,373**	371,828
Non-current portion of obligations under finance leases		**14,443**	24,535
Loan from a substantial shareholder		**31,794**	34,240
Other payables (non-current)		**10,969**	14,955
Deferred tax liabilities		**16,482**	16,643
		437,061	462,201
Minority interests		**4,972**	4,164
NET ASSETS		**395,100**	388,233
CAPITAL AND RESERVES			
Share capital		**41,000**	41,000
Reserves		**354,100**	347,233
		395,100	388,233

Notes:–

1 Basis of preparation

(a) This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants **("HKICPA")**.

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

The financial information relating to the financial year ended 31 July 2004 included in the interim financial report do 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 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 September 2004.

The same accounting policies adopted in the annual financial statements for the year ended 31 July 2004 have been applied to the interim financial report except as disclosed under note 1(b).

The notes on the interim financial report includes an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the annual financial statements for the year ended 31 July 2004.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards **("new HKFRSs")** which are effective for accounting periods beginning on or after 1 January 2005.

The Company has not early adopted these new HKFRSs in the interim financial report for the six months ended 31 January 2005. The Company has already commenced an assessment of the impact of these new HKFRSs but is not in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) The Group established certain associates during the six months ended 31 January 2005 and the following accounting policy in respect of the Group's interest in associates has been adopted.

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the interim financial report under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post acquisition results of the associate for the period, including any amortisation of positive or negative goodwill charged or credited during the period. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealised profits and losses resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

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 in making operating and financial decisions.

(a) 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 fee generated from assembling of electronic products
Mould design and fabrication	:	manufacture and sales of plastic injection moulds

	Plastic injection and moulding Six months ended 31 January		**Assembling of electronic products Six months ended 31 January**		**Mould design and fabrication Six months ended 31 January**		**Consolidated Six months ended 31 January**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**489,713**	364,170	**89,081**	131,926	**40,927**	23,186	**619,721**	519,282
Segment results	**58,290**	45,647	**7,416**	7,128	**10,522**	2,815	**76,228**	55,590
Unallocated operating income and expenses							**(36,818)**	(30,207)
Profit from operations							**39,410**	25,383
Finance costs							**(24,554)**	(20,014)
Non-operating expense							**(318)**	(1,175)
Share of losses of associates							**(403)**	–
Income tax							**(2,360)**	(2,139)
Minority interests							**(808)**	(97)
Profit attributable to shareholders							**10,967**	1,958
Depreciation for the period	**25,108**	20,437	**7,365**	5,172	**2,867**	2,956	**35,340**	28,565
Unallocated depreciation and amortisation							**5,080**	4,703
							40,420	33,268

(b) Geographical segments

The Group's business participates in five (2004: four) major economic environments.

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

Revenue from external customers is analysed as follows:

	Six months ended 31 January 2005 HK$'000	2004 HK$'000
PRC (other than Taiwan and Hong Kong)	**405,238**	314,660
Hong Kong	**132,815**	155,782
South East Asia	**30,234**	25,521
Northern Asia	**23,166**	21,859
Europe	**22,217**	–
Others	**6,051**	1,460
	619,721	519,282

3 Profit from ordinary activities before taxation

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

	Six months ended 31 January 2005 HK$'000	2004 HK$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**16,075**	12,282
Interest on bank advances and other borrowings repayable after more than five years	**415**	2,880
Interest on other loans	**978**	1,059
Finance charges on obligations under finance leases	**1,067**	641
Total borrowing costs	**18,535**	16,862
Less: Borrowing costs capitalised as construction in progress *	**(523)**	(387)
	18,012	16,475
Exchange losses	**5,299**	2,413
Other charges	**1,243**	1,126
	24,554	20,014

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 4.95% (2004: 4.67%) per annum for construction in progress.

	Six months ended 31 January 2005 HK$'000	2004 HK$'000
(b) Other items:		
Processing fees	**7,930**	16,063
Depreciation	**40,283**	33,131
Operating lease charges in respect of properties	**6,187**	5,163
Amortisation of goodwill	**137**	137
Provision for doubtful debts charged/(written back)	**1,080**	(407)
Provision for slow moving inventories charged/(written back)	**1,700**	(476)
Cost of business relocation*	**9,854**	4,042

* The Group has relocated certain of its business during the period. Costs associated with the relocation totalled HK$9,854,000 (2004: HK$4,042,000), of which HK$9,536,000 (2004: HK$2,867,000) arose from the loss on disposal of certain fixed assets and HK$318,000 (2004: HK$1,175,000) arose from compensation paid for early termination of leases which were recorded in "Other net losses" and "Non-operating expense" respectively.

4 Taxation

Taxation in the consolidated income statement (unaudited) represents:

	Six months ended 31 January 2005 HK$'000	2004 HK$'000
Current tax – PRC		
Tax for the period	**2,521**	2,298
Deferred tax		
Origination and reversal of temporary differences	**(161)**	(159)
	2,360	2,139

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 2005 and 2004.

Taxable income of 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 which the subsidiaries' profits are subject to PRC income tax at the rate of 15%.

Effective from 1 January 2005, two subsidiaries of the Company were in their fifth profit making year. Provision for PRC income tax of these subsidiaries was calculated at 7.5% of the estimated assessable profits for the six months ended 31 January 2005. Other 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 2005.

A subsidiary of the Company has entered into processing arrangements with certain independent third parties **("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.

5 Dividends attributable to the period

(a) Interim dividend

The Directors do not recommend any payment of interim dividend for the six months ended 31 January 2005 (2004: Nil).

(b) Final dividend

	Six months ended 31 January	
	2005	2004
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of HK0.50 cents (2003: HK0.5 cents) per share	**4,100**	4,100

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$10,967,000 (2004: HK$1,958,000) and the weighted average number of 820,000,000 (2004: 820,000,000) shares in issue during the six months ended 31 January 2005.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in existence during the six months ended 31 January 2005 and 2004.

7 Trade and other receivables

	At 31 January 2005	At 31 July 2004
	HK$'000	*HK$'000*
Trade receivables	**190,172**	180,115
Bills receivable	**24,183**	34,973
Other receivables, prepayments and deposits	**43,988**	35,352
	258,343	250,440

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

	At 31 January 2005	At 31 July 2004
	HK$'000	*HK$'000*
Within 30 days	**104,906**	91,506
Over 30 days but within 90 days	**85,707**	86,580
Over 90 days and less than one year	**23,742**	37,002
	214,355	215,088

8 Trade and other payables

	At 31 January 2005	At 31 July 2004
	HK$'000	*HK$'000*
Trade payables	**142,776**	145,618
Bills payable	**89,483**	29,247
Accrued expenses and other payables	**112,504**	154,387
	344,763	329,252

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

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

	At 31 January 2005	At 31 July 2004
	HK$'000	*HK$'000*
Due within 30 days or on demand	**59,668**	109,904
Due after 30 days but within 90 days	**154,282**	48,787
Due after 90 days but within 180 days	**18,309**	16,174
	232,259	174,865

9 Comparative figures

In order to have a better business analysis, certain comparative figures in the segment reporting and the presentation of non-operating expense have been reclassified to conform with the current period's presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Overview

The consolidation and streamlining programs that took place during the previous financial year have created synergistic effect and generated fruitful results to the Group in the six months ended 31 January 2005.

During the period under review, the Group recorded satisfactory turnover of HK$619.72 million, representing a rise of 19.34% as compared to that of HK$519.28 million for the last corresponding period. The Group's gross profit margin had also registered a promising growth of 11.80% to stand at 15.82% for the period under review.

Profit attributable to shareholders had soared from HK$1.96 million in the last corresponding period to HK$10.97 million for the period under review despite that a cost of business relocation of HK$9.85 million was incurred.

Business and Financial Review

Turnover and gross profits by business activities of the Group are summarised as follows:

Plastic injection and moulding business

The Group's principal business, plastic injection and moulding business continued to record positive growth during the period under review. Sales generated from this business segment had boosted to HK$489.71 million, as compared to HK$364.17 million for the last corresponding period. Its contribution to the Group's turnover leapt from 70.13% to 79.02% and this increase was largely derived from the operations in Zhuhai which are capable of handling customers' need for high volume production ramp. The efforts in broadening products range had helped to enhance the utilisation of production facilities which, in turn, boosted the sales performance of the Group. The Group had also successfully spanned its customer base from Asia and America to Europe during the six months period ended 31 January 2005.

In terms of segment result, the plastic injection and moulding business had registered improvement from HK$45.65 million for the last corresponding period to HK$58.29 million for the period under review. Contribution margin had dropped 5.03% against the last corresponding period as this segment had incurred more spending in developing sales network and capturing new markets during the period under review as a course to optimise the utilisation of its current production facilities.

Price hikes of plastic resin were experienced during the period under review but this segment result was not significantly affected as the Group managed to shift the impact substantially to its customers.

Assembling of electronic products business

Turnover for the assembling of electronic products business had reduced by 32.48% against the last corresponding period. This was mainly due to the fact that the Group was still in the process of securing potential customers to mitigate the impact arising from the significant reduction in sales orders from certain major customers of the Group in the semi assembly of audio products.

Also included in this segment were fees generated from the processing of printed circuit boards for electronic products and its related electronic products using surface mounting technologies. Contrary to the reduced sales from assembling of electronic products, the processing of printed circuit board business achieved positive growth of 36.16% as compared to the last corresponding period, to register sales of HK$17.81 million during the six months period ended 31 January 2005.

Despite a decline in sales performance, this segment had achieved an overall improved contribution margin of 8.33% during the period under review as compared to 5.40% for the last corresponding period. This was mainly attributable to the increase in the weighting of fees generated from processing of printed circuit boards which carried higher margins against the total turnover of this segment during the period under review. Furthermore, the Group had expanded its products range and at the same time, reduced the composition of thinner margin products.

Mould design and fabrication business

The investment in sophisticated facilities for this business segment in the past years had brought about increased returns to the Group during the period under review. Sales generated from the mould design and fabrication business showed a sharp rise of 76.52% and accounted for 6.60% of the total sales of the Group during the period under review.

This segment had also recorded higher contribution margin of 25.71% during the period under review as compared to 12.14% for the last corresponding period. Significant increase in sales was one of the key factors contributing to such an improvement. This also demonstrated that the move in consolidating these operations in Zhuhai in the previous financial year was a success as internal resources were better deployed.

Other net losses

As compared against the last corresponding period, the Group recorded higher other net losses of HK$5.58 million as a result of a loss on disposal of fixed assets totaling HK$9.54 million during the period under review. The loss was principally due to the close down of a major part of a factory of the Group in Shenzhen after the Group relocated the assembly and tooling businesses of the factory to Zhuhai completely.

Distribution and administrative expenses

During the period under review, the Group recorded total distribution expenses of HK$12.26 million, representing an increase of 22.85% as compared to that of the last corresponding period. The increase was mainly related to the manifested growth in sales. The expenses as a percentage over turnover continued to be kept below 2.00%.

Administrative expenses for the period under review had also recorded an increase of 11.00% compared to that of the last corresponding period, to register at HK$40.76 million. The increase was in line with the overall expansion in the business activities of the Group.

Finance costs

During the period under review, the Group incurred higher finance costs which amounted to HK$24.55 million as compared to HK$20.01 million for the last corresponding period. The key contributor to the increase was a net exchange loss of HK$5.30 million incurred during the period under review as compared to HK$2.41 million in the last corresponding period. The net exchange loss for the period under review largely resulted from the acquisition of machinery and equipment that were denominated in Japanese Yen which had appreciated against the Hong Kong dollars.

Non-operating expense

The Group had incurred a non-operating expense of HK$0.32 million during the period under review. This expense was in respect of a payment made to the landlord of a factory in Shenzhen as compensation for an early lease termination.

Share of losses of associates

During the period under review, the Group established two associated companies namely, Wako VS Nano Technologies (Zhuhai) Co., Ltd. **("WakoVS Zhuhai")** and Wako VS Nano Technologies (Hong Kong) Co., Ltd. **("WakoVS HK")** at a total investment cost of HK$14.52 million.

WakoVS Zhuhai was principally engaged in the spray painting business. WakoVS Zhuhai had not operated in full swing during the period under review as it had placed much emphasis in aligning its production processes and manning while developing potential customers through producing mock-up samples. As for WakoVS HK, it was established principally for investment holding purpose and had very minimal dealings during the period under review. Since the companies' inception in September 2004, the Group had recorded share of losses of associates of HK$0.40 million.

Future Prospects

The initiatives taken in the past year have proven to be successful in steering business growth and stimulating better operation efficiency of the Group. Both sales and profits of the Group have shown satisfactory improvements.

The plastic injection and moulding business of the Group, which has demonstrated steady growth in the past few years, is envisaged to continue its leading position in the year to come. The Group would continue to act aggressively in expanding its business network and capturing new markets. One proven effort is that the Group has recently solicited a television set project which is expected to generate handsome revenue in the next financial year ending 31 July 2006. In anticipation of the great potential of this project and the future growth of the other existing customers, the Group has set to establish a spray room that could cater for the paint spraying of larger size products and build an additional warehouse in Zhuhai. The estimated capital investment in the spray room and warehouse would be in the region of HK$18 million. Overall, the Directors believe that the plastic injection and moulding business still has enormous room for expansion and will closely monitor the increasing resin price that was so far managed to be shifted significantly to the major customers of the Group.

Another business segment which had recorded promising results during the period under review was the mould design and fabrication business. This segment had continuously been recording double digits growth in sales since financial year 2003. It is anticipated that this segment would continue to achieve remarkable growth in the second half of the current financial year and become a major sale and profit contributor of the Group.

As for the assembling of electronic products business, its sales performance had dropped drastically in recent years. The Group has been making full effort to secure potential customers and make product mix adjustments to cushion the impact from such reduction and the Directors are confident that the efforts would bear fruits over time. On the other hand, the processing of printed circuit board business of the Group, which had continually been achieving growth since its inception at the end of 2002, is expected to sustain a positive growth in the remainder of the financial year.

Several initiatives aiming at creating better synergies between our various facilities and expanding our customer base would also be continued so that the Group could stay competitive and accomplish its business targets. We would align our strategies to become an integrated electronics manufacturing service provider and strive to capture the growing business opportunities of the global outsourcing market.

Barring any material change in the macro-economic environment, the Directors are optimistic that the Group would achieve better results in this financial year.

Other Information

Liquidity and financial resources

As at 31 January 2005, the Group had cash and bank deposits of HK$247.60 million (31 July 2004: HK$240.02 million) of which HK$154.19 million (31 July 2004: HK$77.12 million) were pledged to banks for banking facilities granted to the Group. The cash and bank deposits were denominated in United States **("US")** dollars, Renminbi **("RMB")** and Hong Kong dollars which represented 55.40%, 40.55% and 4.05% respectively of the total cash and bank deposits.

The Group generally finances its operations through a combination of shareholders equity, internally generated cash flows and borrowings from banks in Hong Kong and the PRC. As at 31 January 2005, the Group had unutilised banking facilities of HK$33.93 million.

The Group's total borrowings as at 31 January 2005 amounted to HK$757.64 million (31 July 2004: HK$789.91 million) which included a substantial shareholder's loan of HK$36.69 million (31 July 2004: HK$39.13 million). The remaining balance of borrowings was mainly for business expansion, capital expenditure and working capital purposes with interest rates ranging from 2.22% per annum to 6.59% per annum. The amounts of borrowings denominated in US dollars, RMB and Hong Kong dollars were the equivalent of HK$269.40 million, HK$394.09 million and HK$94.15 million, respectively.

The Group's gearing ratio, represented by the interest bearing borrowings over the Group's total asset as at 31 January 2005, was 49.49% (31 July 2004: 51.18%). The improved gearing ratio was principally due to the Group trimming down its capital expenditure, coupled with the overall improvement in the financial results of the Group during the period under review. The Directors would continue to monitor the borrowing level and try their best to maintain the gearing ratio at a reasonable level.

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

Charges on assets

As at 31 January 2005, certain assets of the Group with aggregate carrying value of HK$529.34 million (31 July 2004: HK$329.91 million) were pledged to secure banking facilities granted to the Group.

Contingent liabilities

The Group's contingent liabilities as at 31 January 2005, which consisted of bills discounted with banks on recourse basis, amounted to HK$15.82 million (31 July 2004: HK$14.71 million).

Foreign exchange risk

Other than acquisitions of machinery and equipment in Japanese Yen, the Group's exposure to foreign exchange rate fluctuations during the period under review was not significant as most of its transactions, including borrowings, were denominated in US dollars and RMB, which have a narrow exchange rate fluctuation band against Hong Kong dollars.

Owing mainly to the fluctuations in Japanese Yen, the Group reported a net exchange loss of HK$5.30 million during the period under review, against a net exchange loss of HK$2.41 million in the last corresponding period.

Employees and remuneration policy

As at 31 January 2005, the Group had a total of 6,676 employees (31 July 2004: 5,846). On top of that, 824 (31 July 2004: 1,381) persons were engaged by the Providers 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 but including fees paid to the Providers under the processing arrangements) amounted to HK$58.95 million during the period under review, representing a marginal increase of 2.41% as compared to that of the last corresponding period. Remuneration packages are maintained at competitive level and the Group's employees are rewarded on a performance basis.

The Group has adopted a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance. 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 Company conditionally adopted a share option scheme ("**Scheme**") on 20 January 2002 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The Board may, at their absolute discretion, grant options to employees and Directors and directors of the Company's subsidiaries and any qualified persons as set forth in the terms of the Scheme, to subscribe for shares. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the terms of the Scheme. During the period under review, no options were granted under the Scheme.

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, which comprises three independent non-executive Directors, pursuant to the Code of Best Practice as set forth in Appendix 14 to the Listing Rules which was in force before its revisions took effect on 1 January 2005. 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 has reviewed the Group's financial statements for the period ended 31 January 2005 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 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 period ended 31 January 2005, in compliance with the applicable requirements of Appendix 14 to the Listing Rules in force during the period.

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

Zhuhai, the PRC
29 March 2005

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