Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2009

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 January 2009, 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	
		2009	2008
	Note	***$'000***	*$'000*
Turnover	*2*	**706,119**	728,768
Cost of sales		**(625,534)**	(644,627)
Gross profit		**80,585**	84,141
Other net (loss)/income	*3*	**(6,217)**	24,659
Distribution costs		**(18,284)**	(18,104)
Administrative expenses		**(44,606)**	(44,417)
Other operating income		**–**	120
Profit from operations		**11,478**	46,399
Finance costs	*4(a)*	**(23,939)**	(26,768)
Share of profits less losses of associates		**68**	1,630
(Loss)/profit before taxation	*4*	**(12,393)**	21,261
Income tax	*5(a)*	**(2,262)**	(2,494)
(Loss)/profit for the period		**(14,655)**	18,767
Attributable to:			
Equity shareholders of the Company		**(14,377)**	18,949
Minority interests		**(278)**	(182)
(Loss)/profit for the period		**(14,655)**	18,767
(Losses)/earnings per share	*7*		
Basic		**(1.66) cents**	2.19 cents
Diluted		**(1.66) cents**	2.18 cents

CONSOLIDATED BALANCE SHEET – UNAUDITED

(Expressed in Hong Kong dollars)

	Note	At 31 January 2009 $'000	At 31 July 2008 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**900,767**	821,111
– Interests in leasehold land held for own use under operating leases		**25,192**	25,533
		925,959	846,644
Goodwill		**2,172**	2,172
Interests in associates		**21,916**	21,848
		950,047	870,664
Current assets			
Inventories		**169,312**	163,493
Trade and other receivables	*8*	**352,397**	347,158
Deposits with banks		**67,353**	56,159
Cash and cash equivalents		**121,667**	115,626
		710,729	682,436
Current liabilities			
Trade and other payables	*9*	**304,416**	319,531
Interest-bearing borrowings		**482,338**	354,316
Obligations under finance leases		**26,306**	3,270
Loan from a substantial shareholder		**4,870**	4,899
Current taxation	*5(b)*	**2,804**	883
		820,734	682,899
Net current liabilities		**(110,005)**	(463)
Total assets less current liabilities		**840,042**	870,201

	Note	At 31 January 2009 $'000	At 31 July 2008 $'000
Non-current liabilities			
Interest-bearing borrowings		**278,502**	318,613
Obligations under finance leases		**31,197**	–
Loan from a substantial shareholder		**12,610**	14,697
Deferred tax liabilities	*5(c)*	**1,626**	2,046
		323,935	335,356
NET ASSETS		**516,107**	534,845
CAPITAL AND RESERVES			
Share capital		**43,349**	43,349
Reserves		**469,273**	487,733
Total equity attributable to equity shareholders of the Company		**512,622**	531,082
Minority interests		**3,485**	3,763
TOTAL EQUITY		**516,107**	534,845

Notes:
(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("**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 results have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2008.

The HKICPA has issued a number of new Interpretations and an amendment to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for accounting periods of the Group beginning on or after 1 August 2008. However, none of these developments are relevant to the Group's operations. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

The interim financial results contain 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 2008. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

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

The financial information relating to the financial year ended 31 July 2008 that is included in the interim financial results as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 July 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 September 2008.

The Group incurred a loss of $14,655,000 for the six months ended 31 January 2009, and as at 31 January 2009, the Group's current liabilities exceeded its current assets by $110,005,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 January 2009, the Group had undrawn total banking facilities of $44,698,000 for working capital purposes. In addition, the Group obtained new banking facilities of $30,000,000 subsequent to the period end and is currently in the process of negotiating with a major bank to convert certain short term bank loans to long term bank loans in order to cope with any shortfall of working capital. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records and relationship with banks which would enhance the Group's ability on renewing the current bank loans upon expiry or converting short term bank borrowings to long term bank borrowings or securing adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the interim financial results have been prepared on a going concern basis.

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

	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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover from external customers	**523,721**	501,460	**110,212**	114,296	**72,186**	113,012	**706,119**	728,768
Segment results	**43,152**	44,356	**2,821**	5,882	**12,378**	25,729	**58,351**	75,967
Unallocated operating income and expenses							**(46,873)**	(29,568)
Profit from operations							**11,478**	46,399
Finance costs							**(23,939)**	(26,768)
Share of profits less losses of associates							**68**	1,630
Income tax							**(2,262)**	(2,494)
(Loss)/profit for the period							**(14,655)**	18,767
Depreciation and amortisation for the period	**30,595**	29,437	**10,492**	9,814	**5,986**	3,643	**47,073**	42,894
Unallocated depreciation and amortisation							**1,491**	2,658
							48,564	45,552

(ii) Geographical segments

The Group's business participates in six (2008: 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	
	2009	2008
	$'000	*$'000*
The People's Republic of China ("PRC") (other than Taiwan and Hong Kong)	**434,252**	401,320
Hong Kong	**108,730**	114,908
Northern Asia	**77,129**	108,027
United States of America	**59,212**	34,515
Europe	**14,372**	49,135
South East Asia	**12,424**	20,802
Others	**–**	61
	706,119	728,768

3 Other net (loss)/income

	For the six months ended 31 January	
	2009	2008
	$'000	*$'000*
Interest income	**2,721**	2,473
Rentals receivable from operating leases	**3,350**	4,222
Net foreign exchange (losses)/gains	**(2,802)**	744
Change in fair value of forward foreign exchange contracts	**(5,237)**	9,795
Net (loss)/gain on forward foreign exchange contracts	**(3,469)**	2,380
Net loss on disposal of fixed assets	**(532)**	(125)
Tax refund on reinvested profit	**–**	5,355
Others	**(248)**	(185)
	(6,217)	24,659

4. (Loss)/profit before taxation

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

(a) Finance costs:

	For the six months ended 31 January	
	2009	2008
	$'000	*$'000*
Interest on bank advances repayable within five years	**21,164**	24,851
Interest on loan from a substantial shareholder	**485**	560
Finance charges on obligations under finance leases	**59**	219
Total borrowing costs	**21,708**	25,630
Less: Borrowing costs capitalised as construction in progress *	**(63)**	(46)
	21,645	25,584
Other charges	**2,294**	1,184
	23,939	26,768

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 5.83% (2008: 7.53%) per annum for construction in progress.

(b) Other items:

	For the six months ended 31 January	
	2009	2008
	$'000	*$'000*
Processing fees	**–**	7,457
Amortisation of interests in leasehold land held for own use under operating leases	**208**	254
Depreciation		
– other assets	**45,979**	44,290
– assets held under finance leases	**2,377**	1,008
Operating lease charges in respect of properties		
– factory and hostel rentals	**4,697**	6,164
Impairment of doubtful debts charged/(reversed)	**244**	(226)
Impairment of interests in associates reversed	**–**	(120)

5 Income tax

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

	For the six months ended 31 January	
	2009	2008
	$'000	*$'000*
Current tax – PRC		
Provision for the period	**4,268**	2,494
Over-provision in respect of prior years	**(1,598)**	–
	2,670	2,494
Deferred tax		
Origination and reversal of temporary differences	**(408)**	–
	2,262	2,494

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 2009 and 2008.

Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, except for certain 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 18% in 2008 and 20% in 2009.

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 2009 except for the following five 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.	1 August 2007 to 31 December 2007	10.0%
(“**VS Zhuhai**”)	1 January 2008 to 31 December 2008	18.0%
	1 January 2009 to 31 January 2009	20.0%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 December 2008	18.0%
	1 January 2009 to 31 January 2009	20.0%
V.S. Industry (Zhuhai) Co., Ltd.	1 August 2007 to 31 December 2007	7.5%
(“**VSI (Zhuhai)**”)	1 January 2008 to 31 December 2008	9.0%
	1 January 2009 to 31 January 2009	20.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 August 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 December 2008	9.0%
	1 January 2009 to 31 January 2009	10.0%
Qingdao GP Precision Mold Plastics Co., Ltd.	1 February 2008 to 31 January 2009	25.0%

In January 2009, the management reassessed 2007 and 2008 income tax exposure of VS Zhuhai and reversed unutilised income tax provisions of $985,000 and $613,000 respectively as the management considered the income tax for the relevant periods has already been settled in full in accordance with the tax returns issued by the relevant tax authority. The management considered the balance of income tax payable as at 31 January 2009 to be adequate and not excessive.

The export sales made by VS Zhuhai exceeded 70% of its total turnover for the twelve months ended 31 December 2007. Pursuant to relevant PRC tax regulations, VS Zhuhai is entitled to a 5% reduction in income tax rate for the relevant fiscal year. Approval from the relevant tax authorities was obtained in January 2008 and a tax credit amounting to $2,003,000 was recognised as a reduction of the income tax expenses incurred in the fiscal year 2008. Part of the income tax credit, which amounted to $1,686,000, was already recognised as a reduction of income tax expenses during the financial year ended 31 July 2008. The remaining tax credit of $317,000 was utilised against the income tax expenses for the six months ended 31 January 2009.

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 was 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 is to be gradually increased from the current 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 is 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 is levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax rate applies to dividend payments by VS Zhuhai, VS Industry (Shenzhen) Co., Ltd. and VSI (Zhuhai), as their holding companies are incorporated in Hong Kong and there is a tax treaty arrangement between the PRC and Hong Kong. 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 are exempted from any withholding taxes.

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 2009	At 31 July 2008
	$'000	*$'000*
PRC income tax payable	**2,804**	883

(c) *Deferred tax liabilities recognised:*

The components of deferred tax liabilities recognised in the consolidated balance sheet (unaudited) and the movements during the period are as follows:

	Withholding tax on retained earnings of PRC subsidiaries
	$'000
Deferred tax arising from:	
At 1 August 2007	–
Charged to profit or loss	2,046
At 31 July 2008	2,046
At 1 August 2008	2,046
Exchange adjustments	(12)
Credited to profit or loss	(408)
At 31 January 2009	1,626

(d) *Deferred tax assets not recognised*

No deferred tax assets in respect of accumulated tax losses of $52,693,000 (31 July 2008: $40,534,000) have been recognised as it is not probable that future taxable profits against which the losses can be utilised will be generated. The tax losses incurred by subsidiaries incorporated in the PRC expire five years after they are incurred. In addition, certain other deferred tax assets or liabilities have not been recognised as the net effect of the deductible or temporary differences is 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 2009 (2008: 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	
	2009	2008
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of Nil (2008: 1.0 cent) per share	**–**	8,670

7 (Losses)/earnings per share

(a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $14,377,000 (2008: profit of $18,949,000) and the weighted average number of 866,976,000 shares (2008: 866,976,000 shares) in issue during the six months ended 31 January 2009.

(b) Diluted (losses)/earnings per share

The calculation of diluted (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $14,377,000 (2008: profit of $18,949,000) and the weighted average number of ordinary shares of 866,976,000 (2008: 867,670,340) shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

	2009 Number of shares	2008 Number of shares
Weighted average number of ordinary shares at 31 January	**866,976,000**	866,976,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	694,340
Weighted average number of ordinary shares (diluted) at 31 January	**866,976,000**	867,670,340

8 Trade and other receivables

	At 31 January 2009 $'000	At 31 July 2008 $'000
Trade receivables	**257,192**	235,367
Bills receivable *(note (i))*	**22,796**	44,145
Less: allowance for doubtful debts	**(1,702)**	(1,541)
	278,286	277,971
Other receivables, prepayments and deposits	**60,404**	44,040
Acquisition deposits *(note (ii))*	**13,707**	25,147
	352,397	347,158

(i) Bills discounted to banks with recourse totalling $7,057,000 (31 July 2008: $15,536,000) were included in bills receivable as at 31 January 2009.

(ii) The Group had entered into an agreement with independent third parties ("Possible Cooperation Partners") to invest $24,442,000, as a capital injection, to acquire a 51% equity interest of Heilongjiang Savoy Minerals Co., Limited ("Heilongjiang Savoy"), which is registered in the PRC, the principal activity of which is exploration for natural resources in Heilongjiang Province in the PRC. The agreement will only be effective when the capital injection and verification process is complete. As at 31 January 2009, the Group has injected the first instalment of $8,035,000 into Heilongjiang Savoy.

The Group subsequently entered into a supplementary agreement with the Possible Cooperation Partners on 2 March 2009. Pursuant to the supplementary agreement, the period for the requirements of the agreement to be fulfilled was extended to 31 July 2009. Since the capital injection and verification had not been completed as at 31 January 2009, the amount paid of $8,035,000 is included within acquisition deposits as at 31 January 2009.

In addition to the above, the Group also paid a refundable deposit of $5,672,000 to an independent third party for an exclusive right of negotiation in relation to exploration for natural resources in Inner Mongolia, the PRC. The deposit is refundable if no agreement is reached.

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

Certain bills receivables have been pledged to banks as security for banking facilities in connection with trade finance.

Included in trade and other receivables are trade 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 2009 $'000	At 31 July 2008 $'000
Current	**210,575**	251,316
Less than one month past due	**37,465**	19,712
One to three months past due	**24,638**	4,741
More than three months but less than twelve months past due	**5,608**	2,202
	67,711	26,655
	278,286	277,971

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

9 Trade and other payables

	At 31 January 2009 $'000	At 31 July 2008 $'000
Trade payables	**149,948**	206,742
Bills payable	**24,407**	21,985
Accrued expenses and other payables	**124,824**	90,211
Unrealised loss on derivative financial instruments	**5,237**	593
	304,416	319,531

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

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

	At 31 January 2009 $'000	At 31 July 2008 $'000
Due within 30 days or on demand	**70,362**	72,411
Due after 30 days but within 90 days	**93,467**	107,970
Due after 90 days but within 180 days	**10,526**	48,346
	174,355	228,727

10 Comparative figures

The net foreign exchange gains/losses included within "administrative expenses" in the consolidated income statement for the period ended 31 January 2008 have been reclassified to "other net (loss)/income" to conform with the current year's presentation. The Directors consider that the revised presentation reflects more appropriately the nature of these balances.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

BUSINESS OVERVIEW

The world economies are experiencing an economy cycle in a downward spiral. The major consumers in overseas markets particularly those in the United States of America and European countries are likewise downsizing and triggering liquidity concerns. As a result, the consumers' spending have become more cautious and conservative.

At the backdrop of these economic environments, the Group experienced cut back in orders by existing customers. The results of the Group were further aggravated by losses incurred on the forward foreign exchange contracts which have been used to hedge the foreign currency exposures.

FINANCIAL REVIEW

The Group's principal activities include plastic injection and moulding, assembling of electronic products, and mould design and fabrication business. For the six months ended 31 January 2009, the Group's sales and gross profit were HK$706.12 million and HK$80.59 million compared to the previous corresponding period of HK$728.77 million and HK$84.14 million respectively. This represented a decline of 3.11% and 4.22% respectively. As a consequence, the Group recorded a loss attributable to equity shareholders of HK$14.38 million as compared to the previous corresponding period of profit attributable to equity shareholders of HK$18.95 million.

Plastic injection and moulding business

The Group's core business continues to be plastic injection and moulding for the six months ended 31 January 2009. This segment achieved an increase in turnover to HK$523.72 million as compared to HK$501.46 million in the previous corresponding period, representing an increment of 4.44%. This segment accounted for 74.17% of the Group's total turnover.

Although the segment continued to be profitable during the period under review, it recorded a lower segment margin of HK$43.15 million or 8.24% mainly due to the lower average price on orders as demanded by the existing customers.

Assembling of electronic products business

This segment's turnover amounted to HK$110.21 million which was comparable to HK$114.30 million in the previous corresponding period, representing a slight drop of 3.58%. The decrease in turnover was primarily due to a drop in the number of orders placed by existing customers. Correspondingly, the segment's margin also slipped to HK$2.82 million or 2.56% during the period under review.

Similarly, the Group witnessed a fall in turnover and segment margin of printed circuit boards for electronic products using surface mounting technologies. It experienced a decrease during the period under review owing to fewer orders from existing customers in the region.

Mould design and fabrication business

The mould design and fabrication segment likewise registered a lower turnover amounting to HK$72.19 million as compared to HK$113.01 million in the previous corresponding period. The fall in turnover was mainly attributable to the unfavourable market conditions as well as declined in the number of orders from overseas customers.

As a result of fewer orders, this segment's margin also decreased to HK$12.38 million or 17.15% as compared to HK$25.73 million or 22.77% in the previous corresponding period. This was mainly due to the necessity of competitive pricing in the market and the inelasticity of the skilled labour cost.

Distribution costs and administrative expenses

For the period under review, the Group's distribution costs were HK$18.28 million which was comparable to HK$18.10 million in the corresponding period. Similarly, the Group's administrative expenses remained at about the same level as in the previous corresponding period.

Finance costs

The Group's finance costs registered a lower figure of HK$23.94 million as compared to HK$26.77 million in previous corresponding period. That was attributable to the lower interest rate during the period under review as compared to the corresponding period last year.

Other net loss/income

During the period under review, the Group incurred other net loss of HK$6.22 million as compared to other net income of HK$24.66 million in the previous corresponding period. This was largely due to the realised loss on forward foreign exchange contracts of HK$3.47 million and unrealised loss on forward foreign exchange contracts of HK$5.24 million as compared to the realised and unrealised gains on forward foreign exchange contracts of HK$2.38 million and HK$9.80 million respectively and the income tax refund in respect of reinvestment of profit amounted to HK$5.36 million during the previous corresponding period.

Share of profits less losses of associates

For the period under review, the Group's share of associates' profits less losses amounted to HK$0.07 million as compared to HK$1.63 million in the previous corresponding period. This was largely due to lower profit achieved by the associate in Vietnam.

FUTURE PROSPECTS

The dynamic and challenging environment resulting from the financial tsunami will continue until the confidence of the global consumers restore. Many countries have attempted to address the situation with sizeable economic stimulus packages to bring about an early economic recovery which are expected to benefit the industry.

The Directors have taken measures to cope with these challenges which include streamlining the Group's operations and production costs. Those measures also include, among others, reduction of workforce, salary reduction and negotiation with suppliers for better terms and conditions. In addition, the Directors are in the process of discussing with a major banker to convert the short term borrowings to long term borrowings.

The Group is extensively implementing marketing strategy with emphasis on good relationships with customers and suppliers. The management believes that these are the essential ingredients towards delivery of a long term competitive advantage. The Group is also focusing on widening its international client base and continual introduction of wide-ranging integrated manufacturing services.

The Directors acknowledge the challenging economic environment in the next six months. Despite all measures taken by the Directors to cope with the difficult situations, the Group's performance in the next six months is dependent on the speed and strength of the recovery of the global economic environment.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations and investing activities through a combination of shareholders' funds, internally generated cash flows and additional borrowing from banks in Hong Kong as well as in the People's Republic of China.

As at 31 January 2009, the Group had cash and bank deposits of HK$189.02 million (31 July 2008: HK$171.79 million) of which HK$46.62 million (31 July 2008: HK$46.79 million) was 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 in the proportion of 67.65%, 30.50% and 1.85% respectively.

The Group's total interest bearing borrowings was HK$835.82 million (31 July 2008: HK$695.80 million), mainly consisting of bank borrowings of HK$760.84 million (31 July 2008: HK$672.93 million) and a loan from a substantial shareholder of HK$17.48 million (31 July 2008: HK$19.60 million). These borrowings were utilised for capital expenditure and working capital purposes with interest rates ranging from 3.64% per annum to 8.20% per annum. The amounts of borrowings denominated in US dollars, RMB and Hong Kong dollars amounted to HK$412.91 million, HK$135.73 million and HK$287.18 million respectively.

The Group's gearing ratio represented by the net interest bearing borrowings over the Group's total assets as at 31 January 2009 was 38.95% (31 July 2008: 33.74%).

CHARGES ON ASSETS

As at 31 January 2009, certain assets of the Group with aggregate carrying value of HK$447.93 million (31 July 2008: HK$370.85 million) 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. The Group's policy is to match the currency mix of its loan portfolio and foreign currency payments with that of its revenue.

In view of the foreign currency risk exposure, the Group has entered into certain forward foreign exchange contracts to hedge against the trade receivables denominated in US dollars. As at 31 January 2009, the notional amounts of the outstanding forward foreign exchange contracts were US$14.26 million, which will expire by April 2009.

During the period under review, the Group reported a net loss on forward foreign exchange contracts of HK$3.47 million and change in fair value of forward foreign exchange contracts of HK$5.24 million (see note 3). These were mainly the result of the appreciation of US dollar against RMB.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2009, the Group had a total of 5,593 employees (31 July 2008: 7,786) and did not make any significant changes to the Group's remuneration policies for its employees.

Employees' cost of the Group (excluding Directors' emoluments) for the period under review amounted to HK$109.98 million (31 January 2008: HK$98.98 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 employee.

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

EXTRACT OF THE DRAFT REVIEW REPORT BY KPMG ON THE GROUP'S INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 JANUARY 2009

"*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 January 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which describes that the Group incurred a loss of HK$14,655,000 for the six months ended 31 January 2009, and as at 31 January 2009, the Group's current liabilities exceeded its current assets by HK$110,005,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the renewal of the current bank loans upon expiry and/or the conversion of short term bank loans to long term bank loans or securing adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. The interim financial report does not include any adjustments that would result from the failure to obtain or renew such banking facilities."

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 report for the six months ended 31 January 2009 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 six months under review except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

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 his 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 Director during the six months under review 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

Hong Kong
26 March 2009