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 ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

HIGHLIGHTS

- Turnover increased by 24.86% to HK$1,496.89 million;
- Loss attributable to equity shareholders of the Company was HK$14.32 million;
- Basic loss per share was HK1.65 cents.

The Board (**"Board"**) of directors (**"Directors"**) of V.S. International Group Limited (**"Company"**) would like to announce the consolidated results of the Company and its subsidiaries (together, the **"Group"**) for the financial year ended 31 July 2010, prepared in accordance with all applicable Hong Kong Financial Reporting Standards (**"HKFRSs"**), together with comparative figures for the previous financial year. The figures in respect of the preliminary announcement of the Group's results for the financial year ended 31 July 2010 have been compared by the Company's auditors, KPMG, Certified Public Accountants, with the amounts set out in the Group's draft financial statements for the year ended 31 July 2010 and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement. In additional, this announcement (including the annual results) has been reviewed by the audit committee of the Company (**"Audit Committee"**).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	3	**1,496,888**	1,198,829
Cost of sales		**(1,329,233)**	(1,093,067)
Gross profit		**167,655**	105,762
Other net loss	4	**(2,366)**	(4,016)
Distribution costs		**(60,338)**	(37,623)
Administrative expenses		**(85,830)**	(81,980)
Profit/(Loss) from operations		**19,121**	(17,857)
Finance costs	5(a)	**(34,158)**	(47,296)
Share of profits less losses of associates		**4,735**	844
Loss before taxation	5	**(10,302)**	(64,309)
Income tax expense	6	**(3,619)**	(4,558)
Loss for the year		**(13,921)**	(68,867)
Attributable to:			
Equity shareholders of the Company		**(14,315)**	(68,685)
Non-controlling interests		**394**	(182)
Loss for the year		**(13,921)**	(68,867)
Loss per share	8		
Basic		**(1.65) cents**	(7.92) cents
Diluted		**(1.65) cents**	(7.92) cents

CONSOLIDATED BALANCE SHEET

As at 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**830,182**	856,758
– Interests in leasehold land held for own use under operating leases		**24,793**	24,815
		854,975	881,573
Goodwill		**2,172**	2,172
Deferred tax assets		**14,674**	6,499
Interest in associates		**27,004**	22,692
		898,825	912,936
Current assets			
Inventories		**227,151**	144,890
Trade and other receivables	9	**452,080**	307,153
Deposits with banks		**74,531**	50,621
Cash and cash equivalents		**96,940**	100,431
		850,702	603,095
Current liabilities			
Trade and other payables	10	**488,744**	343,901
Interest-bearing borrowings		**411,433**	334,824
Obligations under finance leases		**10,051**	8,289
Loan from a substantial shareholder		**6,539**	7,300
Current taxation		**9,387**	8,144
		926,154	702,458
Net current liabilities		**(75,452)**	(99,363)
Total assets less current liabilities		**823,373**	813,573
Non-current liabilities			
Other payables		**29,794**	17,057
Interest-bearing borrowings		**322,621**	306,974
Obligations under finance leases		**6,700**	14,090
Loan from a substantial shareholder		**4,877**	9,733
Deferred tax liabilities		**1,762**	1,398
		365,754	349,252
NET ASSETS		**457,619**	464,321

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 31 July 2010

	Note	2010 HK$'000	2009 HK$'000
CAPITAL AND RESERVES			
Share capital		**43,349**	43,349
Reserves		**411,529**	417,391
Total equity attributable to equity shareholders of the Company		**454,878**	460,740
Non-controlling interests		**2,741**	3,581
TOTAL EQUITY		**457,619**	464,321

Notes:

1. **(a) Statement of compliance**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (**"HKFRSs"**), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (**"HKASs"**) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (**"HKICPA"**), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply 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"**).

(b) Basis of preparation

As at 31 July 2010, the Group's current liabilities exceeded its current assets by HK$75,452,000 and the Group incurred a loss of HK$13,921,000 for the year ended 31 July 2010. 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 July 2010, the Group had undrawn banking facilities totalling HK$115,936,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew the current bank loans upon expiry or to obtain additional banking facilities in order to improve the liquidity position. The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with banks which enhance the Group's ability to renew the current bank loans upon expiry or to secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the financial statements.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of revised HKFRSs and amendments to HKFRSs, and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Improvements to HKFRSs (2008)
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, share-based payment – vesting conditions and cancellations
- Amendments to HKAS 27, Consolidated and separate financial statements
- HKFRS 3 (revised 2008), Business combinations

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amendments to HKAS 23 and HKFRS 2 have no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior year which was based on a disaggregation of the Group's financial statements into segments based on business and geographic areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 3). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1(revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. The change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the amendment to HKAS 28, Investments in associates, has resulted in changes to the Group's accounting policies. As a result of amendments to HKAS 28, impairment losses recognised in respect of the associates carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- As a result of the adoption of the amendments to HKAS 27:

  (i) the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income, has been removed. As a result, as from 1 August 2009, all dividends receivable from subsidiaries and associates, whether out of pre-or post-acquisition profits, are recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future period and previous periods have not been restated; and

  (ii) the acquisition of an additional interest in a non-wholly owned subsidiary is accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. During the current year, the Group has acquired an additional 10% interest in a non-wholly owned subsidiary.

- The impact of the majority of the revisions to HKFRS 3 and the other revisions to HKAS 27 has not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policies are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 August 2009 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies have been applied as from 1 August 2009:

  – Where the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction is accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, where Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  – Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore there have had no impact on Group's financial statements in previous periods.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, the following policies will be applied as from 1 August 2009:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

3. Segment information

The Group manages its business by divisions, which are organised by a mixture of both business lines and geography. On first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable 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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of interests in associates and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning "segment result", management is provided with segment information concerning revenue (including inter-segment), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**876,036**	801,290	**531,373**	254,947	**89,479**	142,592	**1,496,888**	1,198,829
Reportable segment revenue	**876,036**	801,290	**531,373**	254,947	**89,479**	142,592	**1,496,888**	1,198,829
Reportable segment result	**42,006**	29,981	**36,989**	11,994	**18,017**	23,454	**97,012**	65,429
Depreciation and amortisation for the year	**(61,127)**	(59,920)	**(24,481)**	(23,965)	**(11,765)**	(11,835)	**(97,373)**	(95,720)
Impairment of doubtful debts (reversed)/charged	**(159)**	161	**–**	258	**(394)**	657	**(553)**	1,076
Reportable segment assets	**941,608**	754,330	**377,739**	263,431	**143,177**	157,387	**1,462,524**	1,175,148
Addition to non-current segment assets during the year	**64,352**	88,511	**4,639**	48,158	**222**	12,917	**69,213**	149,586
Reportable segment liabilities	**330,826**	216,546	**141,303**	99,795	**28,709**	24,642	**500,838**	340,983

(b) *Reconciliations of reportable segment revenues, profit or loss, assets and liabilities*

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,496,888**	1,198,829
Consolidated turnover	**1,496,888**	1,198,829

	2010	2009
	HK$'000	*HK$'000*
Profit		
Reportable segment profit	**97,012**	65,429
Share of profits less losses of associates	**4,735**	844
Finance costs	**(34,158)**	(47,296)
Unallocated depreciation and amortisation	**(3,703)**	(3,393)
Unallocated head office and corporate expenses	**(74,188)**	(79,893)
Consolidated loss before taxation	**(10,302)**	(64,309)

	2010	2009
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,462,524**	1,175,148
Interests in associates	**27,004**	22,692
Unallocated head office and corporate assets	**259,999**	318,191
Consolidated total assets	**1,749,527**	1,516,031

	2010	2009
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**500,838**	340,983
Unallocated head office and corporate liabilities	**791,070**	710,727
Consolidated total liabilities	**1,291,908**	1,051,710

(c) *Geographical segments*

The Group's business participates in seven (2009: 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:

	2010	2009
	HK$'000	*HK$'000*
The People's Republic of China ("PRC") (other than Taiwan and Hong Kong)	**737,738**	690,909
Hong Kong	**258,435**	204,324
United States of America	**177,392**	127,876
Northern Asia	**120,159**	130,309
Europe	**100,115**	18,445
South East Asia	**37,346**	26,816
South Africa	**65,703**	150
	1,496,888	1,198,829

4. Other net loss

	2010	2009
	HK$'000	*HK$'000*
Interest income	**1,346**	2,389
Rentals receivable from operating leases	**5,942**	6,527
Net foreign exchange loss	**(2,513)**	(515)
Net loss on forward exchange contracts	**–**	(7,239)
Net loss on disposal of fixed assets	**(1,514)**	(6,129)
Impairment losses for acquisition deposits *(note 9)*	**(8,413)**	–
Others	**2,786**	951
	(2,366)	(4,016)

5. Loss before taxation

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

	2010	2009
	HK$'000	*HK$'000*
(a) **Finance costs:**		
Interest on bank advances repayable within five years	**26,237**	36,516
Interest on loan from a substantial shareholder	**555**	850
Finance charges on obligations under finance leases	**2,091**	4,290
Total borrowing costs	**28,883**	41,656
Less: borrowing costs capitalised as construction in progress *	**(73)**	(112)
	28,810	41,544
Other charges	**5,348**	5,752
	34,158	47,296

* The borrowing costs have been capitalised at a rate of 4.0% (2009: 5.6%) per annum for construction in progress.

	2010	2009
	HK$'000	*HK$'000*
(b) **Other items:**		
Cost of inventories	**1,329,233**	1,093,067
Auditors' remuneration		
– audit services	**2,009**	1,964
– other services	**1,020**	838
Impairment of doubtful debts (reversed)/charged	**(553)**	1,076
Amortisation of interests in leasehold land held for own use under operating leases	**577**	575
Impairment losses for acquisition deposits	**8,413**	—
Depreciation		
– other assets	**98,253**	96,859
– assets held under finance leases	**2,246**	1,679
Operating lease charges in respect of properties		
– factory and hostel rentals	**9,959**	9,302
Tax penalties *(note)*	**57**	451

Note:

Pursuant to a notice issued by Zhuhai State Administration of Taxation Inspection Department（珠海市国家税务局稽查局）("Zhuhai SATID") on 28 November 2008, a subsidiary of the Company, V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("VS Zhuhai") was charged with the evasion of value added tax ("VAT") in the amount of HK$549,000 (RMB483,600). During years 2006 and 2007, VS Zhuhai used certain VAT invoices issued by certain companies to claim for a reduction in VAT. During the year ended 31 July 2009, such VAT invoices were challenged by Zhuhai SATID. As a result, VS Zhuhai was charged with evasion of VAT. The VAT underpaid of HK$549,000 (RMB483,600) and the related penalties of HK$451,000 were paid to the PRC tax authorities on 11 December 2008.

Further to a notice issued by People's Procuratorate of Zhuhai Municipal（珠海市人民檢察院）on 9 June 2009, VS Zhuhai, the chairman and the former qualified accountant of the Company (in their respective capacity as chairman and financial controller of VS Zhuhai) were alleged to have committed criminal offences in respect of the evasion of such VAT and statements of defence were submitted to court.

The case was concluded on 5 December 2009. The court ruled that the defendant did not commit any criminal offence in respect of the evasion of VAT. Additional penalties of HK$57,000 (RMB50,000) were charged to VS Zhuhai for accepting and using illegal VAT invoices.

6. Income tax expense

(a) Taxation in the consolidated income statement represents:

	2010	2009
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for income tax for the year	**10,159**	4,918
Over-provision in respect of prior years	**–**	(713)
Provision for income tax arising on restructuring of equity interests in the PRC subsidiaries	**–**	7,500
	10,159	11,705
Withholding tax for dividends paid by a subsidiary in the PRC	**1,271**	–
Deferred tax		
Origination and reversal of temporary differences	**(7,811)**	(7,147)
	3,619	4,558

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 years ended 31 July 2010 and 2009.

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, 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 had enjoyed preferential tax rates before 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 income tax rate applicable to the subsidiaries of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008 will be gradually increased from the ex-preferential income tax rates to 25% over a five-year transition period commencing from 1 January 2008. The applicable income tax rate is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Subsidiaries which were granted certain tax relief before 1 January 2008 can continually enjoy such 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.

For the year ended 31 July 2010, the following subsidiaries of the Company in the PRC were either subject to standard or preferential income tax rates, except that V.S. Industry (Shenzhen) Co., Ltd. sustained losses for taxation purposes for the year ended 31 July 2010:

Name of subsidiary	**Period**	**Income tax rate**
VS Zhuhai	1 August 2008 to 31 December 2008	18%
	1 January 2009 to 31 December 2009	20%
	1 January 2010 to 31 July 2010	22%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2008 to 31 December 2008	18%
	1 January 2009 to 31 December 2009	20%
	1 January 2010 to 31 July 2010	22%
V.S. Industry (Zhuhai) Co., Ltd.	1 August 2008 to 31 December 2008	9%
	1 January 2009 to 31 December 2009	20%
	1 January 2010 to 31 July 2010	22%
Qingdao GS Electronics Plastic Co., Ltd.	1 August 2008 to 31 December 2008	9%
	1 January 2009 to 31 December 2009	10%
	1 January 2010 to 31 July 2010	22%
VSA Electronics Technology (Zhuahi) Co., Ltd.	1 August 2008 to 31 December 2008	9%
	1 January 2009 to 31 December 2009	10%
	1 January 2010 to 31 July 2010	22%
Qingdao GP Precision Mold Plastics Co., Ltd.	1 August 2008 to 31 July 2010	25%
V.S. Electronics (Zhuhai) Co., Ltd.	26 November 2008 to 31 July 2010	25%
Qingdao GP Electronic Plastics Co., Ltd.	1 August 2008 to 31 December 2009	0%
	1 January 2010 to 31 July 2010	11%

Pursuant to the new tax law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. A withholding tax rate of 5% is applicable to entities held by a Hong Kong incorporated subsidiary.

According to the notice Caishui [2008] No.1 released by the Ministry of Finance and the State Administration of Taxation, distributions of pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempted from the PRC withholding tax. The Group is liable to withholding tax on dividends distributed from the subsidiaries incorporated in the PRC relating to profits generated on or after 1 January 2008. At 31 July 2010, the undistributed profits generated before 1 January 2008 by the subsidiaries incorporated in the PRC, which amounted to HK$129,791,000 (2009: HK$129,791,000), are not subject to the withholding tax on future distribution. Deferred tax liabilities of HK$1,762,000 (2009: HK$1,398,000) have been recognised in respect of the temporary differences of HK$35,234,000 (2009: HK$27,960,000) which are related to the undistributed profits generated on or after 1 January 2008 by the subsidiaries incorporated in 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.

7. Dividends

No final dividend has been proposed by the Company after the balance sheet date attributable to the years ended 31 July 2010 and 2009.

8. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$14,315,000 (2009: HK$68,685,000) and the 866,976,000 shares in issue during the current and the prior year.

(b) Diluted loss per share

There were no potential dilutive ordinary shares in existence during the years ended 31 July 2010 and 2009.

9. Trade and other receivables

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**346,488**	209,293
Bills receivable	**50,096**	39,393
Less: allowance for doubtful debts	**(2,010)**	(2,563)
	394,574	246,123
Other receivables, prepayments and deposits	**57,506**	47,291
Acquisition deposits (note)	**–**	13,739
	452,080	307,153

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

	2010	2009
	HK $'000	*HK$'000*
Current	**318,713**	214,056
Less than 1 month past due	**45,923**	16,470
1 to 3 months past due	**17,983**	10,323
More than 3 months but less than 12 months past due	**11,955**	5,274
Amounts past due	**75,861**	32,067
	394,574	246,123

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

Note:

During the year ended 31 July 2008, the Group paid a deposit of HK$11,408,000 to an independent third party ("Possible Cooperation Partner"), whose principal businesses include, among others, exploration for natural resources in Heilongjiang Province, the PRC, for an exclusive right of negotiation in relation to the strategic investment in or cooperation between the Possible Cooperation Partner and the Group.

On 19 June 2008, the Group entered into an agreement with the Possible Cooperation Partner to invest HK$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 the exploration for natural resources in Heilongjiang Province in the PRC. The agreement will only be effective when the capital injection and verification process is completed.

The Group subsequently entered into a supplementary agreement with the Possible Cooperation Partner 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.

During the year ended 31 July 2009, the deposit of HK$11,408,000 was refunded by the Possible Cooperation Partner and the Group has injected the first instalment of approximately HK$8,035,000 into Heilongjiang Savoy.

On 10 August 2009, resolutions were passed by the directors of Heilongjiang Savoy to approve a further extension of the due date for settlement of the remaining balance of HK$16,407,000 (the "Balance") from 31 July 2009 to 31 December 2009. The shareholders of Heilongjiang Savoy also entered into supplemental agreements ("Supplemental Agreement and Articles") to amend the relevant provisions in the joint venture agreement and articles of Heilongjiang Savoy to further extend the due date for settlement of the Balance from 31 July 2009 to 31 December 2009. The Supplemental Agreement and Articles were effective upon approval obtained from the PRC approving authorities on 19 August 2009. The capital injection had not been completed as at 31 July 2010 and any further extension of the due date has yet to be approved by the directors of Heilongjiang Savoy. Management decided to abort the plan to invest in Heilongjiang Savoy and to search for potential buyers to sell the Group's interests in Heilongjiang Savoy, but no agreement has been reached up to date. Management is doubtful in recovering the deposits paid to Heilongjiang Savoy, and have made full provision of HK$8,035,000.

In addition to the above, the Group also paid a refundable deposit of HK$5,704,000 to an independent third party for an exclusive right of negotiation in relation to exploration for natural resources in Inner Mongolia, the PRC. In order to focus on the existing principal activities, management decided to abort the investment plan in Inner Mongolia. During the year ended 31 July 2010, HK$5,326,000 (RMB4,678,783) of the deposit was refunded, and the remaining balance of HK$378,000 has been written off to profit and loss.

10. Trade and other payables

	2010	2009
	HK $'000	*HK$'000*
Trade payables	**286,011**	186,492
Bills payable	**36,650**	16,684
Payables for the purchase of fixed assets	**61,528**	74,559
Accrued expenses and other payables	**104,555**	66,166
	488,744	343,901

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

	2010	2009
	HK $'000	*HK$'000*
Due within 1 month or on demand	**248,843**	147,560
Due after 1 month but within 3 months	**64,791**	48,547
Due after 3 months but within 6 months	**9,027**	7,069
	322,661	203,176

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS

INDUSTRY OVERVIEW

Since the downturn of global economy a couple of years ago, there have been signs of general improvement in global economy outlook in year 2010. The electronics manufacturing services ("EMS") industry improved in tandem with general economic outlook.

The Group began seeing some positive signs that demands from customers across all the geographical location and industries were improving. During the financial year under review, the Group has secured a few sizeable new customers for assembly of electronics products which contributed to the positive growth of the Group's turnover for the financial year ended 31 July 2010.

FINANCIAL REVIEW

Turnover, Gross Profit and Segments Results

During the year under review, the Group recorded a turnover of HK$1,496.89 million, representing an increase of HK$298.06 million or 24.86% from HK$1,198.83 million in previous year, primarily due to increase in turnover of assembling of electronic products business segment. The major contributor of the Group's turnover was still its plastic injection and moulding division which accounted for 58.52% (2009: 66.84%) of the turnover, with the remaining from assembling of electronics products and mould design and fabrication divisions which accounted for 35.50% (2009: 21.27%) and 5.98% (2009: 11.89%) of the turnover respectively.

In line with the increase in turnover, gross profit shows an improvement and recorded at HK$167.66 million, representing an increase of HK$61.90 million as compared to previous year of HK$105.76 million. The increase in gross profit was mainly attributable to higher capacity utilization as a result of improved macroeconomic conditions and the related increase in customer demand.

Plastic Injection and Moulding

During the financial year under review, the Group's plastic injection and moulding division recorded an increase of 9.33% in turnover from HK$801.29 million in previous year to HK$876.04 million.

By geographical location, Zhuhai's operation was still the main contributor and contributed a turnover of HK$559.89 million as compared to HK$559.40 million in previous year. Meanwhile Qingdao operation recorded a turnover of HK$316.14 million, a significant increase of 47.09% as compared to HK$214.93 million in previous year.

Assembling of Electronic Products

As a result of the shift in its main focus to more value added assembly business, the assembling of electronic products business showed a significant growth and recorded a turnover of HK$531.37 million, representing an increase of HK$276.42 million or 108.42% from HK$254.95 million in previous year. There was also improvement in the gross profit margin of this segment which was increased from 4.70% in previous year to 6.96% in the financial year under review.

Looking forward, the Group will continue its intensive marketing effort and broadening up this business segment by providing a complete box-built products and "one stop" business solutions to its customers.

Mould Design and Fabrication

Despite increase in sales of other business segments, mould and fabrication business remained depressed as customers reduced the development of new models. This segment recorded a turnover of HK$89.48 million as compared to HK$142.59 million in previous year, representing a decrease of HK$53.11 million or 37.25%.

Other Net Loss

During the financial year under review, the Group incurred other net loss of HK$2.37 million (2009: HK$4.06 million), which comprised mainly net loss on foreign exchange of HK$2.51 million, net loss on disposal of fixed assets of HK$1.51 million and provision of impairment losses in acquisition deposits of HK$8.41 million which were offset by interest and rental income of HK$7.29 million.

Distribution Costs and Administrative Expenses

Distribution costs amounted to HK$60.34 million, representing an increase of HK$22.72 million or 60.39% as compared to HK$37.62 million in previous year. The increase was primarily due to higher packaging and transportation cost incurred on certain products delivered to one of the major customers. Administrative expenses increased by HK$3.85 million which were primarily due to increase in employees cost and share-based payment expenses of HK$2.91 million in relation to the share options granted under the share option scheme of the Company.

Finance Costs

Despite higher total interest bearing borrowings of HK$762.22 million as compared to HK$681.21 million in previous year, finance costs decreased by 27.78% to HK$34.16 million (2009: HK$47.30 million) mainly due to lower interest rates on borrowings for the year under review.

Share of Profits less losses of Associates

The Group's share of profits less losses of the associates increased to HK$4.74 million as compared to HK$0.84 million in previous year. The increase was mainly due to higher profit contribution from the associate in Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, the Group financed its operations and investing activities mainly by internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 July 2010, the Group had cash and bank deposits as stated at HK$171.47 million (2009: HK$151.05 million), of which HK$35.98 million (2009: HK$47.25 million) was pledged to the banks for the facilities granted to the Group. The cash and bank deposits were denominated in the currencies of United States ("US") dollars 46.53%, Renminbi ("RMB") 51.94% and Hong Kong dollars ("HKD") 1.53%.

As at 31 July 2010, the Group had outstanding interest-bearing borrowings of HK$762.22 million (2009: HK$681.21 million), mainly consisting of bank borrowings of HK$734.05 million (2009: HK$641.80 million), obligations under finance lease of HK$16.75 million (2009: HK$22.38 million) and a loan from a substantial shareholder of HK$11.42 million (2009: HK$17.03 million). The total borrowings were denominated in RMB 20.57%, US dollars 38.20% and HKD 41.23%, and the maturity profile is as follows:

	As at 31 July 2010		As at 31 July 2009	
Repayable	***HK$ million***	*%*	*HK$ million*	*%*
Within one year	**428.02**	56.15	350.41	51.44
After one year but within two years	**83.58**	10.97	38.81	5.70
After two years but within five years	**250.62**	32.88	291.99	42.86
Total borrowings	**762.22**	100.00	681.21	100.00
Cash and bank deposits	**(171.47)**		(151.05)	
Net borrowings	**590.75**		530.16	

The total net interest bearing borrowings of the Group posted at HK$590.75 million representing 33.77% (2009: 34.97%) of total assets and 129.09% (2009: 114.18%) of total shareholders' funds respectively.

As at 31 July 2010, the Group's net current liabilities improved by HK$23.91 million and reduced to HK$75.45 million (2009: HK$99.36 million). As at 31 July 2010, the Group has undrawn bank facilities of HK$115.94 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

CAPITAL STRUCTURE

As at 31 July 2010, the Group's shareholders' fund stood at HK$457.62 million (2009: HK$464.32 million), a decrease of 1.44% mainly due to net loss incurred for the year. Total assets of the Group amounted to HK$1,749.53 million (2009: HK$1,516.03 million), 48.87% of which were fixed assets (2009: 58.15%).

COMMITMENTS AND CONTINGENT LIABILITY

As at 31 July 2010, the Group's capital commitments were HK$ nil (2009: HK$32.77 million); while the operating lease commitment was HK$0.52 million (2009: HK$0.71 million). The Group did not have material contingent liabilities as at 31 July 2010.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily HKD, USD, RMB and Japanese Yen ("JPY").

During the financial year under review, the Group incurred net exchange losses of HK$2.51 million (2009: HK$7.75 million) mainly due to foreign currency creditors denominated in JPY. The management will continue to monitor the foreign currency risk exposure to ensure that it kept at an acceptable level.

As HKD is pegged to the USD, the Group does not expect any significant currency risk of HKD position. Some of the Group's sales transactions are denominated in USD. In view of the appreciation of RMB against USD during the year ended 31 July 2010, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD.

As at date of this announcement, the notional amounts of the outstanding forward exchange contracts were USD8.82 million. The management will continue monitor the foreign currency risk exposure and to ensure that it is kept to an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2010, the Group had 8,211 employees (2009: 6,553). During the year under review, the Group did not make any significant changes to the Group's remuneration policies.

Employees' cost to the Group (excluding Directors' remuneration and equity settled share-based payment expenses) for the financial year under review amounted to HK$261.27 million (2009: HK$205.24 million). The increase in employees' cost was mainly due to increase in the number of employees and rise in remuneration as a result of increase in minimum wages imposed by the local authorities of the PRC. The Group's remuneration package is reviewed on annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resource market and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group recognizes the importance of improvement of employees' technical knowledge, welfare and well-being in attracting and retaining quality staff dedicated towards the future growth of the Group.

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.

As a public listed entity, the Group implements a share option scheme to provide incentives to eligible employees to participate in the Company's success.

DIVIDENDS

The Board does not recommend the payment of dividend for the financial year ended 31 July 2010 (2009: HK$ nil) at the forthcoming annual general meeting of the Company.

FUTURE PROSPECTS AND CHALLENGES

Despite general improvement in global economy, the operation environments of the Group continue to be challenging. The EMS industry is extremely competitive with numerous domestic and foreign EMS providers. The rising wages of manufacturing operation in the PRC will put a squeeze on the profit margin. The anticipated appreciation of RMB against USD would be another major concern of the Group as most of the Group's revenue is denominated in USD.

In the light of these challenges, the Group will continue its effort to improve production efficiency and increase productivity to mitigate the impacts of rising costs and wages. The management is confident that through stringent cost control and head count management, the impacts on high running cost could be minimised.

EXTRACT OF THE DRAFT INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

"**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1(b) to the financial statements which describes that the Group incurred a loss of HK$13,921,000 for the year ended 31 July 2010 and as at that date the Group's current liabilities exceeded its current assets by HK$75,452,000. 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(b) to the financial statements, these financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to renew its current bank loans upon expiry or secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. These financial statements do not include any adjustments that would result from the failure to renew or obtain such banking facilities."

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

During the year ended 31 July 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions (**"Code Provisions"**) of the Code on Corporate Governance Practices (**"Code"**) as set out in Appendix 14 to the Listing Rules throughout the year 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.

According to Code Provision A.2.1, 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 Code Provision A.2.1 as part of his duties overlap with those of the Managing Director, who is in practice the chief executive officer. As the founder of the Group, Mr. Beh Kim Ling 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. Going forward, the Board will periodically review the effectiveness of this arrangement.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's financial statements for the year ended 31 July 2010 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 APPENDIX 10 TO THE LISTING RULES

The Company has adopted a securities dealing code (**"Code"**) regarding the dealings in securities of the Company by the Directors and members of the senior management of the Group, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers as 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 period under review with the Code and Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2010.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and gratitude to the shareholders, bankers, customers, suppliers, business associates and regulatory authorities for their confidence and continuous support to the Group. I also wish to take this opportunity to thank my fellow Directors, the management team, staff and employees for their full commitment, loyalty and dedication to the Group, which enabled us to overcome the challenges encountered during the year.

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

Macau, the PRC
24 September 2010

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
Mr. Yeoh Ek Boon

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

Non-executive Director:
Mr. Gan Tiong Sia