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 2012

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") would like to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 January 2012, which have not been audited by the auditors of the Group, KPMG, but have been reviewed by KPMG and the audit committee ("**Audit Committee**") of the Board.

CONSOLIDATED INCOME STATEMENT – UNAUDITED

	Note	**For the six months ended 31 January** **2012** ***HK$'000***	2011 *HK$'000*
Turnover	*3*	**862,332**	867,911
Cost of sales		**(759,373)**	(780,810)
Gross profit		**102,959**	87,101
Other net (loss)/income	*4*	**(10,916)**	9,444
Distribution costs		**(35,041)**	(32,970)
Administrative expenses		**(42,076)**	(50,869)
Profit from operations		**14,926**	12,706
Finance costs	*5(a)*	**(19,475)**	(19,743)
Share of profits less losses of associates		**(879)**	1,805
Loss before taxation	*5*	**(5,428)**	(5,232)
Income tax (expense)/credit	*6*	**(6,822)**	46
Loss for the period		**(12,250)**	(5,186)
Attributable to:			
Equity shareholders of the Company		**(12,339)**	(5,238)
Non-controlling interests		**89**	52
Loss for the period		**(12,250)**	(5,186)
Loss per share	*8*		
Basic		**(1.07) cents**	(0.60) cents
Diluted		**(1.07) cents**	(0.60) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED
As at 31 January 2012

	Note	At 31 January 2012 HK$'000	At 31 July 2011 HK$'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**717,384**	782,464
– Interests in leasehold land held for own use under operating leases		**25,635**	25,555
		743,019	808,019
Goodwill		**2,172**	2,172
Interests in associates		**25,505**	27,047
Deferred assets		**12,249**	6,602
		782,945	843,840
Current assets			
Inventories		**196,026**	245,006
Trade and other receivables	*9*	**410,167**	463,454
Deposits with banks		**34,075**	60,733
Cash and cash equivalents		**112,165**	115,332
		752,433	884,525
Current liabilities			
Trade and other payables	*10*	**413,361**	525,036
Interest-bearing borrowings		**363,843**	454,886
Obligations under finance leases		**2,695**	7,962
Loan from a substantial shareholder		**2,435**	4,894
Current taxation		**7,682**	7,519
		790,016	1,000,297
Net current liabilities		**(37,583)**	(115,772)
Total assets less current liabilities		**745,362**	728,068

	At 31 January 2012 *HK$'000*	At 31 July 2011 *HK$'000*
Non-current liabilities		
Other payables	–	6,303
Interest-bearing borrowings	**272,712**	248,814
Deferred tax liabilities	**2,229**	1,745
	274,941	256,862
NET ASSETS	**470,421**	471,206
CAPITAL AND RESERVES		
Share capital	**57,798**	57,798
Reserves	**409,904**	410,778
Total equity attributable to equity shareholders of the Company	**467,702**	468,576
Non-controlling interests	**2,719**	2,630
TOTAL EQUITY	**470,421**	471,206

Notes:

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 on The Stock Exchange of Hong Kong Limited, 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 2011, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an 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, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 July 2011. 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed a modified opinion on those financial statements in their report dated 24 September 2011.

As at 31 January 2012, the Group's current liabilities exceeded its current assets by HK$37,583,000 and the Group incurred a loss of HK$12,250,000 for the period ended 31 January 2012. 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 2012, the Group had undrawn banking facilities totalling HK$177,511,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew its 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 the banks which enhance the Group's ability to renew the 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. Accordingly, the interim financial results 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 and to provide for any further liabilities which might arise. The effect of these adjustments has not been affected in this interim financial results.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and HKAS 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:

- Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets
- Amendments to HKAS 12, Income taxes – Deferred tax: Recovery of underlying assets

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

These developments have not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

3 Segment reporting

The Group manages its business by divisions, which are organised by a mixture of both business lines and geography. 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**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Six months ended 31 January:								
Turnover from external customers	**522,749**	500,368	**277,222**	317,493	**62,361**	50,050	**862,332**	867,911
Reportable segment revenue	**522,749**	500,368	**277,222**	317,493	**62,361**	50,050	**862,332**	867,911
Reportable segment result	**23,702**	16,681	**8,516**	24,474	**16,330**	5,203	**48,548**	46,358
At 31 January/31 July:								
Reportable segment assets	**873,561**	920,955	**266,782**	329,703	**129,252**	158,365	**1,269,595**	1,409,023
Addition to non-current segment assets during the period/year	**3,416**	15,175	**1,684**	1,513	**1,942**	3,799	**7,042**	20,487
Reportable segment liabilities	**234,882**	266,355	**101,666**	147,531	**14,386**	33,060	**350,934**	446,946

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

	Six months ended 31 January	
	2012	2011
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**862,332**	867,911
Consolidated turnover	**862,332**	867,911

	Six months ended 31 January	
	2012	2011
	HK$'000	*HK$'000*
Profit		
Reportable segment profit	**48,548**	46,358
Share of profits less losses of associates	**(879)**	1,805
Finance costs	**(19,475)**	(19,743)
Unallocated depreciation and amortisation	**(2,991)**	(3,985)
Unallocated operating income and expenses	**(30,631)**	(29,667)
Consolidated loss before taxation	**(5,428)**	(5,232)

	At 31 January	At 31 July
	2012	2011
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,269,595**	1,409,023
Interests in associates	**25,505**	27,047
Unallocated head office and corporate assets	**240,278**	292,295
Consolidated total assets	**1,535,378**	1,728,365

	At 31 January	At 31 July
	2012	2011
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**350,934**	446,946
Unallocated head office and corporate liabilities	**714,023**	810,213
Consolidated total liabilities	**1,064,957**	1,257,159

(c) Geographical segments

The Group's business participates in seven (2011: seven) 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:

	Six months ended 31 January	
	2012	2011
	HK$'000	*HK $'000*
The People's Republic of China ("PRC") (other than Taiwan and Hong Kong)	**467,509**	419,033
Hong Kong	**122,324**	164,357
United States of America	**143,849**	108,354
Northern Asia	**53,084**	77,817
Europe	**45,699**	53,730
South East Asia	**29,321**	11,729
South Africa	**546**	32,891
	862,332	867,911

4 Other net (loss)/income

	Six months ended 31 January	
	2012	2011
	HK$'000	*HK$'000*
Interest income	**355**	945
Rentals receivable from operating leases	**–**	33
Net foreign exchange gains	**1,333**	3,958
Net loss on disposal of fixed assets	**(19,696)**	(2,064)
Reversal of impairment losses on acquisition deposits *(note (i))*	**–**	4,752
Fines by local authorities *(note (ii))*	**–**	(2,280)
Net income from sales of scrap materials	**1,277**	2,271
Change in fair value of forward exchange contracts *(note (iii))*	**1,843**	138
Net gain on forward foreign exchange contracts	**2,795**	2,004
Gain on disposal of an associate	**937**	–
Others	**240**	(313)
	(10,916)	9,444

Notes:

(i) On 19 June 2008, the Group entered into an agreement with an independent third party to invest RMB21,823,000 (equivalent to approximately 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 would be effective when the capital injection and verification process is completed.

During the year ended 31 July 2009, the Group has injected the first instalment of approximately HK$8,035,000 ("Injected Capital") into Heilongjiang Savoy.

On 10 August 2009, resolutions were passed by the directors of Heilongjiang Savoy to approve an extension of the due date for settlement of the remaining balance of RMB14,797,000 (equivalent to approximately HK$16,407,000) from 31 July 2009 to 31 December 2009. The capital injection had not been completed as at 31 July 2010. Management decided to abort the plan to invest in Heilongjiang Savoy and was doubtful in recovering the deposits paid to Heilongjiang Savoy. Provision of HK$8,035,000 was made during the year ended 31 July 2010.

On 6 December 2010, resolutions were passed by the directors of Heilongjiang Savoy to approve the withdrawal of the investment in Heilongjiang Savoy by the Group. The shareholders of Heilongjiang Savoy also entered into supplemental agreements and articles ("Agreement") with the Group. The parties to the Agreement agreed that a compensation fee ("Compensation Fee") of RMB2,700,000 (equivalent to approximately HK$3,283,000) was paid by the Group to another shareholder for the withdrawal by the Group from Heilongjiang Savoy. The Injected Capital, net of the Compensation fee, was refunded to the Group on 28 January 2011. Therefore a reversal of impairment loss on acquisition deposit of HK$4,752,000 was recognised for the period ended 31 January 2011.

(ii) During the period ended 31 January 2011, a fine of HK$2,280,000 was paid to the Customs Bureau in Gongbei District of the PRC (中華人民共和國拱北海關) for underpaid value added tax and custom duties.

(iii) In order to minimise the foreign currency risk exposure, the Group entered into certain forward exchange contracts with aggregate notional contract amounts of US$59,250,000 for the period ended 31 January 2012 (31 January 2011: US$7,000,000). The outstanding forward exchange contracts will expire within one year. The aggregate fair value of the outstanding forward exchange contracts amounted to HK$1,843,000 as at 31 January 2012 (31 July 2011: HK$1,391,000) has been recognised as derivative financial instruments. The changes in fair value of the forward exchange contracts were recognised in profit or loss.

5 Loss before taxation

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

	Six months ended 31 January	
	2012	2011
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank advances repayable within five years	**16,431**	16,046
Interest on loan from a substantial shareholder	**62**	186
Finance charges on obligations under finance leases	**241**	604
Total borrowing costs	**16,734**	16,836
Less: borrowing costs capitalised as construction in progress *	**(51)**	(32)
	16,683	16,804
Other charges	**2,792**	2,939
	19,475	19,743

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 4.84% (2011: 4.01%) per annum for construction in progress.

	Six months ended 31 January	
	2012	2011
	HK$'000	*HK$'000*
(b) Other items:		
Cost of inventories	**759,373**	780,810
Amortisation of interests in leasehold land held for own use under operating leases	**310**	295
Depreciation		
– other assets	**48,057**	51,208
– assets held under finance leases	**1,208**	1,148
Operating lease charges in respect of properties		
– factory and hostel rentals	**5,425**	5,071
Impairment losses recognised/(reversed) in respect of		
– trade receivables	**121**	3,115
– acquisition deposits	**–**	(4,752)
Fines by local authorities	**–**	2,280
Change in fair value of forward exchange contracts	**1,843**	138
Net gain on forward foreign exchange contracts	**2,795**	2,004

6 Income tax

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

	Six months ended 31 January	
	2012	2011
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the period	**6,338**	4,823
Deferred tax		
Origination and reversal of temporary differences	**484**	(4,869)
	6,822	(46)

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 2012 and 2011.

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 ("CIT Law") which was effective from 1 January 2008. As a result of the CIT Law, taxable income for the subsidiaries of the Company in the PRC is subject to a standard 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 CIT 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 20%, 22%, 24% and 25% for 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 period ended 31 January 2012, 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., V.S. Technology Industry Park (Zhuhai) Co., Ltd., Haivs Industry (Qingdao) Co., Ltd., VSA Electronics Technology (Zhuhai) Co., Ltd. and Qingdao GP Precision Mold Plastics Co., Ltd. sustained losses for taxation purposes for the period ended 31 January 2012:

Name of subsidiary	**Period**	**Income tax rate**
V.S. Industry (Zhuhai) Co., Ltd.	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 December 2011	24.0%
	1 January 2012 to 31 January 2012	25.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 December 2011	24.0%
	1 January 2012 to 31 January 2012	25.0%
V.S. Electronics (Zhuhai) Co., Ltd.	1 August 2010 to 31 January 2012	25.0%
Qingdao GP Electronic Plastics Co., Ltd.	1 January 2010 to 31 December 2010	11.0%
	1 January 2011 to 31 December 2011	12.5%
	1 January 2012 to 31 January 2012	12.5%

Pursuant to the CIT 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.

Pursuant to the Sino-Hong Kong Double Tax Arrangement and Sino-Macau Double Tax Arrangement and the related regulations, a qualified Hong Kong or Macau tax resident will be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong or Macau tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. 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 January 2012, the undistributed profits generated before 1 January 2008 by the subsidiaries incorporated in the PRC, which amounted to HK$129,791,000 (31 July 2011: HK$129,791,000), are not subject to the withholding tax on future distribution. At 31 January 2012, deferred tax liabilities of HK$2,229,000 (31 July 2011: HK$1,745,000) have been recognised in respect of the temporary differences of HK$44,587,000 (31 July 2011: HK$34,892,000) 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

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 January 2012 and 2011.

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

No dividends has been approved or paid by the Company after the end of the reporting period attributable to the previous financial year.

8 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$12,339,000 (2011: loss of HK$5,238,000) and 1,155,968,000 ordinary shares (2011: 866,976,000 shares) in issue during the current and the prior period.

(b) Diluted losses per share

During the period ended 31 January 2012, the effects of share options and bonus warrants are anti-dilutive. There were no potential dilutive ordinary shares in existence during the six months ended 31 January 2012 and 2011.

9 Trade and other receivables

	At 31 January 2012	At 31 July 2011
	HK$'000	*HK$'000*
Trade receivables	**256,190**	309,278
Bills receivable	**71,191**	67,096
Less: allowance for doubtful debts	**(7,850)**	(7,729)
	319,531	368,645
Other receivables, prepayments and deposits	**79,202**	82,639
Derivative financial instruments	**1,843**	1,391
Deferred assets	**9,591**	10,779
	410,167	463,454

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 end of the reporting period:

	At 31 January 2012 *HK$'000*	At 31 July 2011 *HK$'000*
Current	**289,993**	307,212
Less than 1 month past due	**24,170**	37,266
1 to 3 months past due	**2,723**	13,953
More than 3 months but less than 12 months past due	**2,645**	10,214
Amounts past due	**29,538**	61,433
	319,531	368,645

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

10 Trade and other payables

	At 31 January 2012 *HK$'000*	At 31 July 2011 *HK$'000*
Trade payables	**240,107**	320,057
Bills payable	**22,011**	3,605
Payables for the purchase of fixed assets	**45,610**	57,255
Accrued expenses and other payables	**105,633**	144,119
	413,361	525,036

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

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as at the end of the reporting period:

	At 31 January 2012 *HK$'000*	At 31 July 2011 *HK$'000*
Due within 1 month or on demand	**186,486**	202,736
Due after 1 month but within 3 months	**48,453**	106,509
Due after 3 months but within 6 months	**27,179**	14,417
	262,118	323,662

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

Four months after the Japan earthquake, the business activities of our Japanese customers began seeing some normalisation. During the six months under review, the Group has seen some improvement in orders from certain existing major customers and a new customer from Europe. During the period under review, the Group sales has increased by HK$100.71 million over the second half of last financial year.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK$862.33million, representing a slight decrease of HK$5.58 million or 0.64% as compared to HK$867.91 million in the corresponding period. Gross profit during the six months ended period 31 January 2012 increased HK$15.86 million to HK$102.96 million or 11.94% of net sales from HK$87.10 million or 10.04% of net sales during the corresponding period.

As at 31 January 2012, the net current liabilities has improved from HK$115.77 million as at 31 July 2011 to HK$37.58 million resulted from improvement in operating cash flow and restructuring of the Group's short term bank borrowings to long term.

Plastic injection and moulding business

During the period under review, plastic injection and moulding segment remained the Group's core business and contributed to 60.62% of the Group's turnover. The turnover for this segment increased to HK$522.75 million as compared to HK$500.37 million in the corresponding period, representing an increase of HK$22.38 million or 4.47%.

Assembling of electronic products business

Assembling of box-built electronics products recorded a significant decrease in turnover from HK$317.49 million to HK$277.22 million, a decrease of HK$40.27 million or 12.68% mainly caused by supply interruption of certain customer products during Thailand floods in the last quarter of year 2011.

Mould design and fabrication business

Mould design and fabrication is a key business segment for the Group to solicit new customers and new products from existing customers. During the period under review, mould design and fabrication segment recorded a turnover of HK$62.36 million, an increase of HK$12.31 million or 24.60% as compared to HK$50.05 million the corresponding period.

Distribution costs and administrative expenses

During the period under review, distribution costs and administrative expenses amounted to HK$77.12 million, representing a decrease of HK$6.72 million or 8.02% as compared to HK$83.84 million in the corresponding period. The decrease was mostly due to reduction in the management staff headcount.

Other net (loss)/income

During the period under review, the Group recorded other net loss of HK$10.92 million (2011: net gain of HK$9.44 million), which comprised mainly net loss on disposal of fixed assets of HK$19.70 million, which was offset by net gain on foreign exchange of HK$5.97 million and other income of HK$2.81 million.

Finance costs

Despite reduction in bank borrowings, the finance costs remained stable at HK$19.48 million as compared to HK$19.74 million in the corresponding period mainly due to higher interest rate on bank borrowing for the period under review.

Share of profits less losses of associates

The Group's share of losses of associates of HK$0.88 million (2011: share of profits less losses of associates of HK$1.81 million) was solely contributed by its associate in Vietnam.

FUTURE PROSPECTS

The world economic environment continues to be challenging as most of the major economies, including China, are facing possible slowdown. The Group also expect rising labour costs will continue to put a squeeze on the profit margin for the second half of the financial year.

LIQUIDITY AND FINANCIAL RESOURCES

During the period 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 January 2012, the Group had cash and bank deposits of HK$146.24 million (31 July 2011: HK$176.07 million), of which HK$28.59 million (31 July 2011: HK$60.61 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 dollars ("USD") 51.31%, Renminbi ("RMB") 43.66%, and Hong Kong dollars ("HKD") 5.03%.

As at 31 January 2012, the Group had outstanding interest-bearing borrowings of HK$641.68 million (31 July 2011: HK$716.55 million), mainly consisting of bank borrowings of HK$636.55 million (31 July 2011: HK$703.70 million), obligations under finance lease of HK$2.70 million (31 July 2011: HK$7.96 million) and a loan from a substantial shareholder of HK$2.43 million (31 July 2011: HK$4.89 million). The total borrowings were denominated in RMB 24.38%, USD 72.59% and HKD 3.03%, and the maturity profile is as follows:

	As at 31 January 2012		As at 31 July 2011	
Repayable	***HK$ million***	***%***	*HK$ million*	*%*
Within one year	**368.97**	**57.50**	467.74	65.28
After one year but within two years	**31.02**	**4.83**	248.81	34.72
After two years but within five years	**241.69**	**37.67**	–	0.00
Total borrowings	**641.68**	**100.00**	716.55	100.00
Cash and bank deposits	**(146.24)**		(176.07)	
Net borrowings	**495.44**		540.48	

As at 31 January 2012, the Group's net current liabilities were HK$37.58 million (31 July 2011: HK$115.77 million). As at 31 January 2012, the Group has undrawn bank facilities of HK$177.51 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

CHARGES ON ASSETS

As at 31 January 2012, certain assets of the Group with aggregate carrying value of HK$376.72 million (31 July 2011: HK$418.54 million) were pledged to secure loan and trade financing facilities for the Group.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relates. The currencies giving rise to the risk were primarily HKD, USD, Japanese Yen ("JPY") and RMB. During the period under review, the Group recorded a net foreign exchange gain of HK$5.97 million (2011: net profit of HK$6.10 million) as a result of realisation of foreign exchange contracts and appreciation of RMB against HKD.

As at 31 January 2012, the notional amount of the outstanding forward exchange contracts which were entered to mitigate foreign exchange risk in view of continuing appreciation of RMB against USD was USD59.25 million.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 16 February 2012, V.S. International Industry Limited ("VSIIL"), a subsidiary of the Group, entered into a share acquisition agreement ("Agreement") with the minority shareholder of VSA Holding Hong Kong Co., Ltd ("VSAHK") in order to purchase the remaining 19% of the equity interests of VSAHK at the consideration of HK$2,460,000, to be satisfied in cash. VSAHK is principally engaged in trading of electronic products, parts and components. As the principal business of VSAHK supplements that of the Group, the acquisition of the remaining 19% of the equity interests of VSAHK shall improve the synergistic effects between VSAHK and the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2012, the Group had a total of 4,716 employees (31 July 2011: 7,932). During the period under review, the Group did not make significant changes to the Group's remuneration policies for its employees.

Employees' cost to the Group (excluding Directors' remuneration) for the period under review amounted to HK$143.04 million (2011: HK$153.00 million). The Group's remuneration package is updated on an 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 has recognised the need for the improvement of employees' technical knowledge, welfare and well being, so as to attract and retain quality and dedicated employees 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 relevant authorities.

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

During the six months period 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 2012

"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 2012 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 as at 31 January 2012, the Group's current liabilities exceeded its current assets by HK$37,583,000 and the Group incurred a loss of HK$12,250,000 for the period ended 31 January 2012. 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 Group's ability to renew its current bank loans upon expiry or secure adequate other 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 renew or obtain such banking facilities."

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2012 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 ("Code Provisions") of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to 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.

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.

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

The Company has adopted 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 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 SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2012.

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

Macau, the PRC
24 March 2012

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. Lee Soo Gee
Mr. Tang Sim Cheow

Non-executive Director:
Mr. Gan Tiong Sia