V.S. International Group Limited

威 鋮 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2003

INTRODUCTION

The board (the "**Board**") of directors (the "**Directors**") of V.S. International Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 July 2003, prepared in accordance with accounting principles generally accepted in Hong Kong, together with the comparative figures for the previous financial year, as follows:

Consolidated Income Statement

	Note	2003 HK$'000	2002 HK$'000
Turnover	3	**1,136,049**	932,630
Cost of sales		**(1,003,311)**	(787,380)
		132,738	145,250
Other net income	4	**1,300**	3,175
Distribution expenses		**(22,553)**	(19,563)
Administrative expenses		**(71,032)**	(48,208)
Profit from operations		**40,453**	80,654
Finance costs	5(a)	**(21,662)**	(15,970)
Profit from ordinary activities before taxation	5	**18,791**	64,684
Taxation	6(a)	**(2,631)**	–
Profit from ordinary activities after taxation		**16,160**	64,684
Minority interests		**2,714**	1,107
Profit attributable to shareholders		**18,874**	65,791

Dividend attributable to the year:			
Final dividend proposed after balance sheet date	*7(a)*	**4,100**	4,100
Earnings per share	*8*		
Basic		**2.30 cents**	9.21 cents
Diluted		**N/A**	N/A

Notes:

1. Reorganisation

The Company was incorporated in the Cayman Islands on 9 July 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the reorganisation (the "**Reorganisation**") to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), on 20 January 2002 the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set forth in the Company's prospectus dated 28 January 2002 (the "**Prospectus**").

2. Basis of presentation

The Group resulting from the Reorganisation has been regarded as a continuing group. Accordingly, the consolidated financial results have been prepared on the basis of merger accounting in accordance with Statement of Standard Accounting Practice ("**SSAP**") No. 2.127 "Accounting for Group Reconstructions". On this basis, the Company is treated as the holding company of the Group for both periods presented, rather than from 20 January 2002. Under these circumstances, the results of the Group for the year ended 31 July 2002 include the results of the Company and its subsidiaries with effect from 1 August 2001 or since their respective dates of incorporation/establishment, whichever is a shorter period. In the opinion of the Directors, the resulting consolidated financial results give a more meaningful view of the results of the Group as a whole.

3. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

The Group comprises the following main business segments:

Plastic injection and moulding : manufacture and sales of plastic moulded products and parts

Assembling of electronic products : assembling and sales of electronic products

Mould design and fabrication : manufacture and sales of plastic injection moulds

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Inter-segment elimination		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**600,484**	352,151	**489,971**	545,210	**50,570**	35,269	**(4,976)**	–	**1,136,049**	932,630
Segment result	**64,944**	76,613	**29,185**	35,499	**8,049**	8,222	**–**	–	**102,178**	120,334
Unallocated operating income and expenses									**(61,725)**	(39,680)
Profits from operations									**40,453**	80,654
Finance costs									**(21,662)**	(15,970)
Taxation									**(2,631)**	–
Minority interests									**2,714**	1,107
Profit attributable to shareholders									**18,874**	65,791
Depreciation for the year	**30,517**	19,946	**6,546**	2,635	**4,254**	2,874	**–**	–	**41,317**	25,455
Unallocated depreciation and amortisation									**6,316**	6,088
									47,633	31,543
Significant non-cash expenses (other than depreciation and amortisation)	**2,123**	327	**164**	179	**32**	–	**–**	–	**2,319**	506

(b) *Geographical segments*

The Group's business participates in five (2002: five) major principal economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Revenue from external customers is analysed as follows:

	2003	2002
	HK$'000	*HK$'000*
People's Republic of China ("**PRC**") (other than Taiwan and Hong Kong)	**506,164**	192,915
Hong Kong	**495,651**	569,586
Japan	**60,879**	63,853
South East Asia	**45,075**	64,535
Taiwan	**21,064**	41,321
Others	**7,216**	420
	1,136,049	932,630

4. Other net income

	2003 HK$'000	2002 HK$'000
Interest income	**1,706**	2,977
(Loss)/gain on disposal of fixed assets	**(406)**	198
	1,300	3,175

5. Profit from ordinary activities before taxation

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

	2003 HK$'000	2002 HK$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**17,413**	11,007
Interest on other loans	**2,823**	2,502
Finance charges on obligations under finance leases	**706**	503
Total borrowing costs	**20,942**	14,012
Less: Borrowing costs capitalised as construction in progress*	**(2,856)**	(1,196)
	18,086	12,816
Exchange losses	**800**	119
Other charges	**2,776**	3,035
	21,662	15,970

* The borrowing costs have been capitalised at the average cost of borrowings to the Group of 4.8% (2002: 5.1%) per annum.

	2003 HK$'000	2002 HK$'000
(b) Other items:		
Cost of inventories	**1,003,311**	787,380
Depreciation		
– owned assets	**45,516**	30,794
– assets held under finance leases	**2,094**	749
Amortisation of goodwill	**23**	–

6. Taxation

(a) Taxation in the consolidated income statement represents:

	2003 HK$'000	2002 HK$'000
PRC income tax	**2,731**	–
Deferred taxation *(note 6(b))*	**(100)**	–
	2,631	–

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax for the years ended 31 July 2003 and 2002.

Taxable income of the subsidiaries of the Company in the PRC are subject to PRC income tax. Subsidiaries of the Company in the PRC are foreign investment enterprises that are granted certain tax relief, under which they are entitled to income tax exemption for two years commencing from the first profit making year and to a 50% relief from PRC income tax for the following three years, after which the subsidiaries' profits are subject to PRC income tax at the rate of 15%.

Two subsidiaries of the Company were in the third profit making year during the year ended 31 July 2003. Provision for the PRC income tax of these subsidiaries was calculated at 7.5% of the estimated assessable profit for the year ended 31 July 2003. The balance of the subsidiaries of the Company in the PRC were either entitled to income tax exemption or sustained losses for taxation purpose for the year ended 31 July 2003.

A subsidiary of the Company has entered into processing agreements with independent third parties (the "**Providers**") in respect of certain production facilities in Shenzhen, the PRC. Pursuant to the processing agreements, the Providers bear any PRC tax in respect of the Group's relevant production facilities in Shenzhen, the PRC.

(b) *Deferred taxation*

The movements during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Balance at 1 August	**4,705**	–
Transfer to the income statement	**(100)**	–
Arising from revaluation of land and buildings held for own use	**11,266**	4,705
Balance at 31 July	**15,871**	4,705

7. Dividend

(a) *Dividend attributable to the year*

	2003	2002
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of HK0.5 cent (2002: HK0.5 cent) per share	**4,100**	4,100

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) *Dividend attributable to the previous financial year, approved and paid during the year*

	2003	2002
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.5 cent (2002: HK40.0 cents) per share	**4,100**	30,000

The final dividend of HK$30,000,000 in respect of the previous financial year, approved and paid during the year ended 31 July 2002 represented the dividend declared and paid by the Company's subsidiary, V.S. Corporation (Hong Kong) Co. Limited, to the then shareholders prior to the Reorganisation.

8. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$18,874,000 (2002: HK$65,791,000) and the weighted average number of 820,000,000 (2002: 714,301,370) shares in issue during the year.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in existence during the years ended 31 July 2003 and 2002.

9. Change in accounting policy

Translation of financial statements of subsidiaries outside Hong Kong

In prior years, the results of subsidiaries outside Hong Kong were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. With effect from 1 August 2002, in order to comply with SSAP 11 (revised) issued by the Hong Kong Society of Accountants, the Group translates the results of subsidiaries outside Hong Kong at the average exchange rate for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

DIVIDEND

The Board has recommended the payment of a final dividend of HK0.5 cent per share in respect of the year ended 31 July 2003 (2002: HK0.5 cent) to the shareholders of the Company subject to shareholders' approval at the forthcoming annual general meeting of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Overview

The financial year under review posed various challenges to the Group. Despite the increasing acute price-sensitivity of market, coupled with the Iraqi War and the Severe Acute Respiratory Syndrome ("**SARS**") outbreak in March 2003, the Group went ahead with its geographical expansion plan. The strategic expansion paid off when the Group's turnover increased by 21.81% to HK$1,136.05 million (2002: HK$932.63 million).

Confronted with such acute market conditions, the Group's effort for better returns on its expansion plan was inevitably hindered. The Group's gross profit ratio narrowed to 11.68% compared to the previous year's of 15.57%. This was mainly attributed to the thin profit margin of the plastic parts for household electrical appliances and the low utilisation rate of the production facilities in Qingdao, which accounted for 17.93% of the Group's sales as compared to previous financial year of 5.01%. In addition, the short term escalation in the cost of resin during the lraqi War has further worsened the Group's profit margin.

Profits attributable to shareholders narrowed from HK$65.79 million in the previous financial year to HK$18.87 million. This mainly resulted from an aggregate loss of HK$17.52 million from the operations in Qingdao and the investments in the newly established subsidiary and joint venture company with Andes Electric Co., Ltd. and Sumitronics Hong Kong Ltd. (collectively, the "**VSA Group**"), and the significant increase in administrative expenses and finance costs of HK$22.82 million and HK$5.69 million respectively. However, the Directors believe that the situation will improve upon completion of the restructuring of the Qingdao's subsidiaries and commencement of mass production of the VSA Group.

Business and financial review

Business Highlights

*Acquisition of minority interest in V.S. Haier Electronics Plastic (Qingdao) Co., Ltd. (now known as Qingdao GS Electronics Plastic Co., Ltd.) ("**VS Haier**")*

In the financial year under review, the Group acquired from Qingdao Haier Investment Development Limited ("**Qingdao Haier**") its 20% interest in VS Haier, a then non-wholly owned subsidiary of the Company in Qingdao, at a consideration of RMB14.8 million (equivalent to HK$13.96 million).

This move enables VS Haier to diversify its customer base by seeking other business opportunities without the over-influence of Qingdao Haier and some of its associated companies (the "**Haier Group**") which have been the major customers of VS Haier since its commencement of operation in March 2002, and to reduce the risk of over-reliance on the Haier Group. Further, the operation and management of VS Haier would be wholly controlled by the Group.

The acquisition also allows the Group to streamline the deployment of internal resources of its two subsidiaries based in Qingdao, so that higher operation efficiency and utilisation of production facilities are expected to be achieved in the coming years.

Establishment of a new production line for plastic parts of mobile phone

During the financial year under review, the Group invested HK$28.98 million to set up a mobile phone plastic parts production line which included precision injection moulding machine, spraying rotate automatic painting machine in a clean room environment and ancillary equipment of air shower room and UV light drying. Hence, under the initial development stage, the Group had managed to secure sales revenue of HK$16.13 million.

Establishment of VSA Group

The Group has set up VSA Group towards the end of year 2002 to collaborate on technological transfer in order to enter into the assembling of high-end electronic market as the Directors envisage vast opportunities in this market. Through this joint venture, the Group has upgraded its technology capability in the manufacture of multi-layered printed circuit board ("**PCB**") with precision surface mounting technology, and this enhanced the Group's integrated manufacturing solution ("**IMS**") capability. The Group is now capable of manufacturing PCB used for high-end electronic products such as digital camera, color screen mobile phone and personal digital assistant.

Turnover and gross profit by business activities of the Group

Plastic injection and moulding business

For the financial year under review, the turnover from the plastic injection and moulding business amounted to HK$600.48 million, representing a substantial increase of 70.52% from the previous year's turnover of HK$352.15 million. The increase was derived from the growth in the sales of plastic parts for household electrical appliances in the Qingdao's operations. Combined turnover of the two Qingdao's operations contributed 33.93% (2002:13.28%) of the Group's turnover for this segment. However, during the financial year under review, the operations in Qingdao were in a loss making position causing the contribution margin to drop significantly from 21.76% for the year ended 31 July 2002 to 10.82% this financial year. In addition, during the uncertainty period of the Iraqi War, the short term upward fluctuation in the price of resin, the Group's main raw material, could not be shifted to our customers.

Ancillary to that, during year ended 31 July 2003, the Group had actively expanded its production facilities and capacity in Zhuhai and Qingdao to meet the current and future demands of existing and new customers. These new facilities led to an increase in the segment's depreciation charge by 53.00% rising from HK$19.95 million to HK$30.52 million during the financial year under review. Nevertheless, the Directors believe that this investment will boost long-term performance and enhance the vertical integration with the assembling business.

Assembling of electronic products business

Turnover for assembling of electronic products business amounted to HK$489.97 million (2002: HK$545.21 million), accounting for 43.13% (2002: 58.46%) of the total turnover of the Group. The decrease in the turnover of this segment was mainly due to a shift in the product mix of a major customer, from relatively high-end home audio equipment to semi-finished mechanical audio assembles, which comparably has a lower selling price. In addition to that, it was also partly caused by the outbreak of

SARS in March 2003 which caused delays in commercial production of certain products in the financial year under review. However, the segment contribution margin remained comparable with that of the previous year as the composite profit margin derived from the major customer was similar.

Mould design and fabrication business

During the year ended 31 July 2003, this segment showed encouraging growth potential. Turnover has improved by 29.28% to HK$45.59 million (net of inter-segment sales) (2002: HK$35.27 million). Despite the increased sales, the contribution declined slightly from HK$8.22 million to HK$8.05 million due to initial start-up and trial run costs of the new production facilities set up in Zhuhai.

This business segment, which is an essential part in forming IMS of the Group, can enhance the overall competitiveness of the Group.

Distribution costs and administrative expenses

For the year ended 31 July 2003, the total distribution costs and administrative expenses of the Group recorded an amount of HK$93.59 million (2002: HK$67.77 million). These expenses as a percentage of turnover increased slightly by 0.97%, from about 7.27% in the previous financial year to about 8.24%. The increase of these expenses was contributed by the increase in personnel expenses of HK$14.24 million, which was in line with increase in number of management and staff resulting from the commencement of operations in Zhuhai and Qingdao.

Finance costs

The finance costs of the Group for the financial year under review amounted to HK$21.66 million (2002: HK$15.97 million), representing an increase of 35.64% as compared to that of the previous financial year. The increase was due to the funding requirement of expanded business operations and capital expenditure of the Group in Zhuhai and Qingdao. This represented 1.91% of the turnover of the Group for the year ended 31 July 2003 and was comparable with that of the year ended 31 July 2002.

FUTURE PROSPECTS

The year 2004 is expected to be a year of consolidation for the Group. The global economy seems to have rebounded after the end of the Iraqi War. Regionally, Hong Kong and the PRC look set to recover from the SARS epidemic. The Directors, however, believe that the Group's business performance in the short-term will continue to reflect the aftermath of the SARS epidemic. Despite the prudent outlook for the short-term, the Directors are optimistic about the medium to long-term business performance of the Group.

The Group has included in its medium-term business plan an inroad into the mobile phone business in view that the PRC now ranks as the world's largest and fastest growing mobile phone market, with almost 240 million users as of the end of July 2003 *(Source: Ministry of Information Industry of the PRC)*. As the PRC has a population of around 1.45 billion, given the present low penetration rate of 16.55%, the PRC market will continue to experience enormous growth in the near future. Hence, the resultant and sustainable demand for mobile phones in this country can never be neglected. In the long run, the Group intends to go into full assembling of mobile phone with the existing production facilities in the VSA Group and the Directors believe that the Group's investment in mobile phone manufacturing provides reasonable growth potential for the Group.

Despite the slowdown in the global economy, the PRC remains a market with enormous potential. Over the years it has been one of the fastest-growing regions in the world and will continue to be promising for investment. The recently announced Closer Economic Partnership Arrangement between the PRC and Hong Kong as well as the plan to construct the Hong Kong-Zhuhai-Macau Bridge and its related infrastructure would spur further economic growth of the Pearl River Delta and strengthen its position as the world's manufacturing centre. The Group's production base in Zhuhai is set to be benefited from this development.

With these limitless opportunities looming before us, the Group's performance is poised to culminate as its plans come into stream.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a healthy financial position and benefit from the significant improvement in cash inflow from operations, which generated net operating cash inflow of HK$49.45 million (2002: HK$27.08 million) during the financial year under review. As at 31 July 2003, the Group had cash and bank deposits of HK$285.82 million (2002: HK$194.62 million) of which HK$86.47 million (2002: HK$83.71 million) were pledged to the banks for banking facilities granted to the Group. About 66.84% and 28.63% of the total cash and bank deposits were denominated in US dollars and Renminbi ("**RMB**") respectively with the remainder in Hong Kong dollars.

CAPITAL STRUCTURE

During the financial year under review, the Group has taken steps to refinance the Group's existing short term debts with medium to long-term borrowings which led to the substantial improvement of the Group's working capital (defined as current assets less current liabilities). The Group's working capital was HK$45.18 million as at 31 July 2003 compared to previous year's negative working capital of HK$1.55 million.

As at 31 July 2003, the total borrowings of the Group were HK$641.77 million (2002: HK$351.23 million). Net debt, after deducting cash and bank deposits was HK$355.95 million (2002: HK$156.61 million). The Group's borrowings maturity profile is set out as follows:

	2003	2002
	HK$ million	*HK$ million*
Repayable		
Within 1 year	**294.57**	223.69
After 1 year but within 2 years	**12.15**	7.55
After 2 years but within 5 years	**221.15**	95.53
After 5 years	**113.90**	24.46
Total borrowings	**641.77**	351.23
Cash and bank deposits	**(285.82)**	(194.62)
Net debt	**355.95**	156.61

Included in these borrowings is a shareholder's loan amounting to HK$44.02 million (2002: HK$48.92 million). The remaining balance of borrowings was for business expansion, capital expenditure and working capital purpose with an interest rate ranging from 1.59% per annum to 7.13% per annum. Among these borrowings about 50.78%, 40.87% and 8.35% were denominated in US dollars, RMB and Hong Kong dollars respectively.

The Group's gearing ratio, represented by the interest bearing borrowings over the Group's total assets as at 31 July 2003 was 45.82% (2002: 35.27%). The increase in the gearing ratio was principally due to construction of phase III and phase IV of Zhuhai Industrial Park and new capital investments in VSA Group's production facility. The Directors will continue to monitor the borrowing level and will maintain the gearing ratio at a reasonable level.

As at 31 July 2003, apart from refinancing short-term debt with long-term borrowings, the Group has also secured substantial undrawn facilities on committed basis from its relationship banks, amounting to HK$295.40 million of which about HK$121.49 million and HK$28.61 million were committed long term loans and finance leases respectively. The remaining balance represented short term loan and trade finance.

The Directors believe that with the Group's available facilities, cash and bank deposits on hand and the recurrent cash flow from operations, the Group is in a strong liquidity position and has ample financial resources to satisfy its capital commitments and ongoing working capital requirements.

CHARGES ON ASSETS

As at 31 July 2003, certain assets of the Group with an aggregate carrying value of HK$294.22 million (2002: HK$182.76 million) were pledged to secure banking facilities granted to the Group.

COMMITMENTS AND CONTINGENT LIABILITY

As at 31 July 2003, the Group's capital commitment was HK$68.67 million (2002: HK$49.84 million). This commitment related to the Group's capital investments in the development of Zhuhai Industrial Park. As for the investment commitment of HK$66.87 million (2002: Nil), it related to future contribution of capital to a subsidiary in the PRC by the year 2005.

The Group's contingent liability as at 31 July 2003 was bills discounted with banks on recourse basis amounting to HK$11.41 million (2002: Nil).

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange rate fluctuations during the year ended 31 July 2003 was not significant as most of its transactions, including borrowings, were conducted in US dollars and RMB. During the financial year under review, the exchange rates of these currencies were relatively stable, and hence the Group reported only net exchange loss of HK$0.80 million (2002: HK$0.12 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2003, the Group had a total of 7,298 (2002: 5,565) employees of which 2,361 (2002: 2,772) were employed under processing arrangements. During the year ended 31 July 2003, there was no significant change in the Group's remuneration policies for its employees.

Employees' costs of the Group (excluding Directors' emoluments but including wages paid to employees employed under the processing arrangements) for the financial year under review amounted to approximately HK$91.11 million (2002: HK$57.74 million). During the financial year under review, the Group had put more resources to recruit and retain quality staff as the Directors view that human capital is the most important asset and the vital gear for future growth of the Group. Remuneration packages are maintained at competitive level and the Group's employees are rewarded on a performance basis.

The Company conditionally adopted a share options scheme (the "**Scheme**") on 20 January 2002 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The Board, may at their absolute discretion, grant options to employees and Directors and directors of the Company's subsidiaries and any qualified persons as set forth in the terms of the Scheme, to subscribe for shares. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the terms of the Scheme. During the year ended 31 July 2003, no options were granted under the Scheme.

The Group has adopted a provident fund scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong. It also participates in a government pension scheme for its employees in the PRC pursuant to the relevant rules and regulations of the PRC.

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

During the year ended 31 July 2003, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Board established an audit committee (the "**Audit Committee**") on 20 January 2002, which comprised two independent non-executive Directors, pursuant to the Code of Best Practice as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The primary duties of the Audit Committee are to review the Group's financial reporting process, internal controls system and Group's financial statements. The Audit Committee has reviewed the Group's financial statements for the year ended 31 July 2003 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the year ended 31 July 2003, in compliance with Appendix 14 to the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group for the year ended 31 July 2003 containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt thankfulness to the management and all our staff for their dedicated work and contributions during the past year. I would also like to show my gratitude to the unrelenting support and trust which our shareholders, business partners and customers have demonstrated. This concerted effort of all parties, I believe, will continue and bring the Group and us to a new height.

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

Shenzhen, the PRC
26 September 2003

Please also refer to the published version of this announcement in International Herald Tribune dated on 29-9-2003.