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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Beh Kim Ling (*Chairman*)  
Gan Sem Yam (*Managing Director*)  
Gan Chu Cheng (*Finance Director*)  
Zhang Pei Yu

### Non-executive Director

Gan Tiong Sia

### Independent non-executive Directors

Diong Tai Pew  
Cheung Kwan Hung, Anthony  
Tang Sim Cheow

## AUDIT COMMITTEE OF THE BOARD

Diong Tai Pew (*Chairman of Audit Committee*)  
Cheung Kwan Hung, Anthony  
Tang Sim Cheow

## REMUNERATION COMMITTEE OF THE BOARD

Cheung Kwan Hung, Anthony  
(*Chairman of the Remuneration Committee*)  
Beh Kim Ling  
Diong Tai Pew

## COMPANY SECRETARY

Goh Thian Song, *FCCA, CPA*

## QUALIFIED ACCOUNTANT

Goh Thian Song, *FCCA, CPA*

## REGISTERED OFFICE

Century Yard, Cricket Square  
Hutchins Drive, P.O. Box 2681 G.T.  
George Town, Grand Cayman  
British West Indies

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4106, 41st Floor  
Office Tower, Convention Plaza  
1 Harbour Road  
Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited  
36C Bermuda House, 3rd Floor  
P.O. Box 513 G.T., Dr. Roy's Drive  
George Town, Grand Cayman  
British West Indies

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
46th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## LEGAL ADVISERS

Chiu & Partners  
41st Floor, Jardine House  
1 Connaught Place  
Central, Hong Kong

## AUDITORS

KPMG  
*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

## PRINCIPAL BANKERS

Malayan Banking Berhad  
Industrial & Commercial Bank of China  
China Minsheng Banking Corp., Ltd  
Dah Sing Bank Limited

# Corporate Information

## MEMBERS OF THE GROUP

### V.S. International Industry Limited

P.O. Box 957, Offshore Incorporations Centre  
Road Town, Tortola  
British Virgin Islands

### V.S. Investment Holdings Limited

Belmont Chambers, P.O. Box 3443  
Road Town, Tortola  
British Virgin Islands

### V.S. Corporation (Hong Kong) Co., Limited (“VSHK”)

#### VSA Holding Hong Kong Co., Limited

#### V.S. Capital Holdings Limited

41st Floor, Jardine House  
1 Connaught Place  
Central, Hong Kong  
Tel. No: (852) 2511 9002  
Fax No: (852) 2511 9880

#### VSHK Processing Factory

#### V.S. Industry (Shenzhen) Co., Ltd

Huangpu Village, Shajin Town  
Bao An District  
518104 Shenzhen  
Guangdong Province  
The People’s Republic of China  
Tel. No: (86) 755 2729 9480  
Fax No: (86) 755 2724 2763

#### V.S. Technology Industry Park (Zhuhai) Co., Ltd.

#### V.S. Industry (Zhuhai) Co., Ltd.

#### VSA Electronics Technology (Zhuhai) Co., Ltd.

Beisha Village, Tangjia Wan Town  
Xiangzhou District  
519085 Zhuhai  
Guangdong Province  
The People’s Republic of China  
Tel. No: (86) 756 3392 338  
Fax No: (86) 756 3385 691/681

#### Qingdao GS Electronics Plastic Co., Ltd.

#### Haivs Industry (Qingdao) Co., Ltd.

Qianwangang Road South  
Haier International Industrial Park  
Qingdao Economic and Technology Development Zone  
Huangdao District  
266510 Qingdao  
Shandong Province  
The People’s Republic of China  
Tel. No: (86) 532 6762 188  
Fax No: (86) 532 6762 233

## ASSOCIATED COMPANIES

#### Wako VS Nano Technologies (Hong Kong) Co., Ltd.

Suite 805, Tower Two  
Lippo Centre  
No. 89 Queensway, Hong Kong

#### Wako VS Nano Technologies (Zhuhai) Co., Ltd.

Beisha Village, Tangjia Wan Town  
Xiangzhou District  
519085 Zhuhai  
Guangdong Province  
The People’s Republic of China  
Tel. No: (86) 756 3392 338  
Fax No: (86) 756 3394 990

# ***Introduction***

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The board (“Board”) of directors (“Directors”) of V.S. International Group Limited (“Company”) is pleased to announce the interim financial report (unaudited) of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 January 2006, 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)

for the six months ended 31 January 2006  
(Expressed in Hong Kong dollars)

	Note	For the six months ended 31 January	
		2006	2005 (restated)
		\$'000	\$'000
<b>Turnover</b>	3	<b>715,532</b>	619,721
Cost of sales		<b>(599,446)</b>	(520,576)
<b>Gross profit</b>		<b>116,086</b>	99,145
Other net losses		<b>(432)</b>	(5,582)
Distribution costs		<b>(11,162)</b>	(12,264)
Administrative expenses		<b>(41,179)</b>	(40,762)
Other operating expenses		<b>–</b>	(318)
<b>Profit from operations</b>		<b>63,313</b>	40,219
Finance costs	4(a)	<b>(24,475)</b>	(24,554)
Share of losses of associates		<b>(2,973)</b>	(403)
<b>Profit before taxation</b>	4	<b>35,865</b>	15,262
Income tax	5(a)	<b>(401)</b>	(2,521)
<b>Profit after taxation</b>		<b>35,464</b>	12,741
<b>Attributable to:</b>			
Equity holders of the Company	20	<b>35,041</b>	11,933
Minority interests	20	<b>423</b>	808
<b>Profit after taxation</b>		<b>35,464</b>	12,741
<b>Dividends attributable to the period:</b>			
Dividend declared during the period	6	<b>6,606</b>	4,100
<b>Earnings per share</b>	7		
Basic		<b>4.26 cents</b>	1.46 cents
Diluted		<b>4.20 cents</b>	N/A

# Consolidated Balance Sheet (Unaudited)

at 31 January 2006

(Expressed in Hong Kong dollars)

	Note	At 31 January 2006 \$'000	At 31 July 2005 (restated) \$'000
<b>Non-current assets</b>			
Fixed assets			
– Property, plant and equipment		714,120	713,185
– Interests in leasehold land held for own use under operating leases		19,209	19,420
– Construction in progress		12,138	14,760
	8	745,467	747,365
Goodwill	9	2,172	2,172
Interests in associates	10	6,555	9,528
		754,194	759,065
<b>Current assets</b>			
Inventories	11	166,227	180,812
Trade and other receivables	12	256,304	260,176
Deposits with banks	13	149,979	156,703
Cash and cash equivalents	14	106,378	109,631
		678,888	707,322
<b>Current liabilities</b>			
Trade and other payables	15	252,358	302,683
Interest-bearing borrowings	16	554,242	501,881
Obligations under finance leases	17	12,379	12,063
Loan from a substantial shareholder	22(c)	4,892	4,892
Current taxation	5(b)	332	82
		824,203	821,601
<b>Net current liabilities</b>		(145,315)	(114,279)
<b>Total assets less current liabilities</b>		608,879	644,786

# Consolidated Balance Sheet (Unaudited)

at 31 January 2006

(Expressed in Hong Kong dollars)

		At 31 January 2006	At 31 July 2005 (restated)
	Note	\$'000	\$'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	16	219,797	277,005
Obligations under finance leases	17	2,269	8,629
Loan from a substantial shareholder	22(c)	26,902	29,348
		<b>248,968</b>	314,982
<b>NET ASSETS</b>			
		<b>359,911</b>	329,804
<b>CAPITAL AND RESERVES</b>			
Share capital	19	41,347	41,000
Reserves		313,148	283,291
<b>Total equity attributable to equity holders of the Company</b>	20	<b>354,495</b>	324,291
<b>Minority interests</b>	20	<b>5,416</b>	5,513
<b>TOTAL EQUITY</b>	20	<b>359,911</b>	329,804

# Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 31 January 2006  
(Expressed in Hong Kong dollars)

Note	For the six months ended 31 January			
	2006		2005 (restated)	
	\$'000	\$'000	\$'000	\$'000
<b>Total equity at 1 August:</b>				
Attributable to equity holders of the parent (as previously reported at 31 July)	20	435,552		388,233
Minority interests (as previously presented separately from liabilities and equity at 31 July)	20	5,513		4,164
		441,065		392,397
Prior period adjustments arising from changes in accounting policies	2(a) & 20	(111,261)		(94,390)
At 1 August, after prior period adjustments		329,804		298,007
<b>Net income for the period recognised directly in equity:</b>				
Exchange difference on translation of financial statements of overseas subsidiaries	20	(595)		–
Net income for the period recognised directly in equity (2005: as restated)			(595)	–
<b>Net profit for the period:</b>				
Attributable to equity holders of the parent (as previously reported)		35,041		10,967
Minority interests (as previously presented separately in the income statement)		423		808
		35,464		11,775
Prior period adjustments arising from changes in accounting policies	2(a)	–		966
Net profit for the period (2005: as restated)	20	35,464		12,741



# Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 31 January 2006  
(Expressed in Hong Kong dollars)

		For the six months ended 31 January			
		2006		2005 (restated)	
Note		\$'000	\$'000	\$'000	\$'000
	<b>Total recognised income and expense for the period (2005: as restated)</b>		<b>34,869</b>		12,741
	Attributable to:				
	– Equity holders of the Company		<b>35,041</b>		11,933
	– Minority interests		<b>423</b>		808
			<b>35,464</b>		12,741
	Dividends declared and payable to:				
	– Equity holders of the Company	6	<b>(6,606)</b>		(4,100)
	– Minority interests		<b>(520)</b>		–
			<b>(7,126)</b>		(4,100)
	<b>Movements in shareholders' equity arising from capital transactions with equity holders of the parent:</b>				
	Equity settled share-based transactions	20	<b>2,364</b>		–
	<b>Total equity at 31 January</b>		<b>359,911</b>		306,648
	<b>Restatements of total recognised income and expense for the period are attributable to:</b>				
	Equity holders of the Company				966
	Minority interests				–
					966
	Arising from restatements of:				
	– Net income recognised directly in equity				–
	– Net profit for the period	2(a) & (b)			966
					966

The notes on pages 11 to 42 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement (Unaudited)

for the six months ended 31 January 2006  
(Expressed in Hong Kong dollars)

	Note	For the six months ended 31 January	
		2006 \$'000	2005 \$'000
<b>Cash generated from operations</b>		<b>104,873</b>	63,361
<b>Income tax paid by the subsidiaries in the People's Republic of China</b>		<b>(151)</b>	(1,730)
<b>Net cash generated from operating activities</b>		<b>104,722</b>	61,631
<b>Net cash used in investing activities</b>		<b>(33,472)</b>	(13,603)
<b>Net cash used in financing activities</b>		<b>(75,551)</b>	(59,353)
<b>Net decrease in cash and cash equivalents</b>		<b>(4,301)</b>	(11,325)
<b>Cash and cash equivalents at 1 August</b>	14	<b>84,317</b>	73,850
<b>Effect of foreign exchanges rates changes</b>		<b>(595)</b>	–
<b>Cash and cash equivalents at 31 January</b>	14	<b>79,421</b>	62,525

# Notes on the Interim Financial Report (Unaudited)

*(Expressed in Hong Kong dollars)*

## **1 Basis of preparation**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2005, except for accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 July 2006. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report 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 interim financial report 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 Company and the Group since the annual financial statements for year ended 31 July 2005. 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 Hong Kong Financial Reporting Standards (“HKFRSs”, which terms collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, “Engagements to review interim financial reports”, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 58.

The financial information relating to the financial year ended 31 July 2005 that is included in the interim financial report 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 2005 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 September 2005.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 2 Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 August 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 July 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 July 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 August 2005 which have been reflected in this interim financial report.

### (a) Summary of the effect of changes in the accounting policies

#### (i) Effect on opening balance of total equity at 1 August 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 August 2005. These are the aggregate effect of retrospective adjustments to net assets at 31 July 2005.

Effect of new policy (increase/(decrease))	Note	Retained profits	Capital and other reserves	Total	Minority interests	Total equity
Prior period adjustments:						
HKFRS 2						
Equity settled share-based transactions	2(d)	(689)	689	-	-	-
HKAS 17						
Leasehold land and buildings held for own use	2(b)	(1,082)	(110,179)	(111,261)	-	(111,261)
<b>Total effect at 1 August 2005</b>		<b>(1,771)</b>	<b>(109,490)</b>	<b>(111,261)</b>	<b>-</b>	<b>(111,261)</b>

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 2 Changes in accounting policies (continued)

### (a) Summary of the effect of changes in the accounting policies (continued)

#### (ii) Effect on opening balance of total equity at 1 August 2004 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 August 2004. These are the aggregate effect of retrospective adjustments to net assets at 31 July 2004.

Effect of new policy (increase/(decrease))	Note	Capital		Total	Minority interests	Total equity
		Retained profits	and other reserves			
Prior period adjustments and total effect at 1 August 2004						
HKAS 17						
Leasehold land and buildings held for own use	2(b)	(770)	(93,620)	(94,390)	-	(94,390)

#### (iii) Effect on profit after taxation for the six months ended 31 January 2006 (estimated) and 31 January 2005 (as adjusted)

In respect of the six-month period ended 31 January 2006, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six-month period ended 31 January 2005, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

Effect of new policy (increase/(decrease))	Note	For the six months ended 31 January 2006			For the six months ended 31 January 2005		
		Equity holders of the Company	Minority interests	Total	Equity holders of the Company	Minority interests	Total
HKFRS 2							
Equity settled share-based transactions	2(d)	(1,114)	-	(1,114)	-	-	-
HKFRS 3							
Amortisation of goodwill	2(e)	137	-	137	-	-	-
HKAS 17							
Leasehold land and buildings held for own use	2(b)	-	-	-	966	-	966
Total effect for the period		(977)	-	(977)	966	-	966

Effect on earnings per share:

- basic (cents)	(0.12)	0.12
- diluted (cents)	(0.12)	0.12

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 2 Changes in accounting policies (continued)

### (a) Summary of the effect of changes in the accounting policies (continued)

#### (iv) Effect on amounts recognised as capital transactions with owners for the six months ended 31 January 2006 (estimated) and 31 January 2005 (as adjusted)

In respect of the six-month period ended 31 January 2006, the following table provides estimates of the extent to which the amounts recorded as capital transactions with owners are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six-month period ended 31 January 2005, the table discloses the adjustments that have been made to the amounts recorded as capital transactions with owners as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

Effect of new policy (increase/ (decrease))	Note	For the six months ended 31 January 2006			For the six months ended 31 January 2005		
		Equity holders of the Company	Minority interests	Total	Equity holders of the Company	Minority interests	Total
HKFRS 2							
Equity settled share-based transactions	2(d)	2,364	-	2,364	-	-	-
Total effect for the period		2,364	-	2,364	-	-	-

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 2 Changes in accounting policies (continued)

### (b) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With the adoption of HKAS 17 with effect from 1 August 2005, the leasehold interest in land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development or re-development, or the property is otherwise being used in the production of inventory, the amortisation charge is included as part of the costs of the property under development or other inventory. In all other cases the amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, with effect from 1 August 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

The new accounting policies have been adopted retrospectively, with the opening balances of retained profits and the land and buildings revaluation reserve and the comparative information adjusted for the amounts relating to prior periods as disclosed in note 2(a) and the consolidated statement of changes in equity. In respect of the six months ended 31 January 2006 it is not practicable to estimate the extent to which the profits for that period, or the income or expenses taken directly to equity, are higher or lower than they would have been had the previous policy still been applied in the interim period.

### (c) Financial instruments (HKAS 39, Recognition and measurement of financial instruments)

In prior years, bills receivable were derecognised in the financial statements upon settlement or when discounted with financial institutions.

Upon the adoption of HKAS 39 with effect from 1 August 2005, discounted bills receivable should not be derecognised where the Group retains substantially all risks and rewards relating thereto and the corresponding proceeds should be recognised as a liability.

The new accounting policy has been applied prospectively in accordance with the transitional arrangement under HKAS 39. As a result, comparative amounts have not been restated.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 2 Changes in accounting policies (continued)

### (d) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options to subscribe for shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 August 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2.

The prior period adjustments and the effect on the results for the six months ended 31 January 2006, and the consolidated reserves as of that date, are set out in note 2(a). No adjustments to the opening balances as at 1 August 2004 are required as no options were outstanding at that date.

The amount charged to the income statement as a result of the change of policy has increased administrative expenses for the six months ended 31 January 2006 by \$1,114,000 (six months ended 31 January 2005: \$ Nil), with the corresponding amounts credited to the capital reserve.

Details of the employee share option scheme (the "Scheme") can be found in the Group's annual report for the year ended 31 July 2005 and note 18 on this interim financial report.



# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 2 Changes in accounting policies (continued)

### (e) Amortisation of positive goodwill (HKFRS 3, Business combinations)

In prior periods, positive goodwill which was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment.

With effect from 1 August 2005, in accordance with HKFRS 3 and HKAS 36 "Impairment of assets" the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 August 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 31 January 2006. This has increased the Group's profit after tax for the six months ended 31 January 2006 by \$137,000.

### (f) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the period were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 August 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity for the comparative period has been restated accordingly.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 3 Segment reporting

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

### (i) Business segments

The Group comprises the following main business segments:

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

Assembling of electronic products : assembling and sales of electronic products, including processing fees generated from assembling of electronics products

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

	Plastic injection moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	For the six months ended 31 January 2006		For the six months ended 31 January 2006		For the six months ended 31 January 2006		For the six months ended 31 January 2006	
	2006	2005 (restated)	2006	2005 (restated)	2006	2005 (restated)	2006	2005 (restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover from external customers	568,897	489,713	97,819	89,081	48,816	40,927	715,532	619,721
Segment results	79,872	59,417	7,825	7,416	10,478	10,522	98,175	77,355
Unallocated operating income and expenses							(34,862)	(37,136)
Profit from operations							63,313	40,219
Finance costs							(24,475)	(24,554)
Share of losses of associates							(2,973)	(403)
Income tax							(401)	(2,521)
Profit after taxation							35,464	12,741
Depreciation and amortisation for the period	23,942	23,981	8,843	7,365	3,995	2,867	36,780	34,213
Unallocated depreciation and amortisation							3,651	5,080
							40,431	39,293

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 3 Segment reporting (continued)

### (ii) Geographical segments

The Group's business participates in six (2005: six) major 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:

	For the six months ended 31 January	
	2006	2005
	\$'000	\$'000
People's Republic of China ("PRC") (other than Taiwan and Hong Kong)	<b>418,085</b>	405,238
Hong Kong	<b>186,069</b>	132,815
Northern Asia	<b>38,462</b>	23,166
United States of America	<b>26,850</b>	5,324
South East Asia	<b>22,973</b>	30,234
Europe	<b>22,703</b>	22,217
Others	<b>390</b>	727
	<b>715,532</b>	619,721

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 4 Profit before taxation

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

	For the six months ended 31 January	
	2006 \$'000	2005 \$'000
<b>(a) Finance costs:</b>		
Interest on bank advances repayable within five years	22,879	16,075
Interest on bank advances repayable over five years	-	415
Interest on loan from a substantial shareholder	857	978
Finance charges on obligations under finance leases	791	1,067
Total borrowing costs	24,527	18,535
Less: Borrowing costs capitalised as construction in progress *	(679)	(523)
	23,848	18,012
Exchange (gains)/losses	(575)	5,299
Other charges	1,202	1,243
	24,475	24,554

\* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 5.70% (2005: 4.95%) per annum for construction in progress.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 4 Profit before taxation (continued)

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

	For the six months ended 31 January	
	2006	2005 (restated)
	\$'000	\$'000
<b>(b) Other items:</b>		
Processing fees	8,546	7,930
Amortisation of interests in leasehold land held for own use under operating leases	211	211
Depreciation		
– owned assets	37,891	36,467
– assets held under finance leases	2,329	2,615
Operating lease charges in respect of properties	4,324	6,187
Amortisation of goodwill	–	137
Impairment losses for doubtful debts (reversed)/charged	(214)	1,080
Provision for slow moving inventories	1,675	1,700
Loss on disposal of fixed assets	4,585	9,536
Interest Income	(2,922)	(1,213)
Rental Income	(1,353)	(728)

## 5 Income tax

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

	For the six months ended 31 January	
	2006	2005 (restated)
	\$'000	\$'000
Current tax – PRC	401	2,521

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 2006 and 2005.

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

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 5 Income tax (continued)

Subsidiaries of the Company in the PRC were either entitled to income tax exemption or sustained losses for taxation purpose for the six months ended 31 January 2006 except for two following subsidiaries of the Company in the PRC which are subject to standard or preferential income tax rates as follows:

Name of subsidiary	Period	Income tax rate
V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("VS Zhuhai")	1 August 2005 to 31 December 2005 1 January 2006 to 31 December 2006	7.5% 15%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2005 to 31 December 2006	7.5%

Pursuant to relevant PRC tax regulations, VS Zhuhai is entitled to a tax credit relating to purchase of equipment domestically produced in the PRC. The tax credit is recognised as a reduction of income tax expenses upon approval from the relevant tax authorities.

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

Pursuant to the laws, rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(b) Income tax in the consolidated balance sheet (unaudited) represents:

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
PRC income tax payable	332	82

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 5 Income tax (continued)

### (c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of accumulated tax losses of \$1,372,000 (31 July 2005: \$1,558,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

## 6 Dividends

### (a) Dividend attributable to the interim period

The Directors do not recommend any payment of interim dividend for the six months ended 31 January 2006 (2005: \$Nil).

### (b) Dividends attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 31 January	
	2006	2005
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of 0.8 cents (2005: 0.5 cents) per share	6,606	4,100

## 7 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company of \$35,041,000 (2005 (restated): \$11,933,000) and the weighted average number of 822,323,000 (2005: 820,000,000) shares in issue during the six months ended 31 January 2006.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of \$35,041,000 and the weighted average number of ordinary shares of 833,459,000 after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

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

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 8 Fixed assets

	Buildings held for own use	Leasehold improvements	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Sub-total	Interests in leasehold land held for own use under operating leases	Construction in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost:</b>									
At 1 August 2005 (restated)	241,525	16,537	655,088	29,030	20,416	962,596	21,074	14,760	998,430
Transfer	13,605	-	-	-	-	13,605	-	(13,605)	-
Additions	125	691	31,798	991	400	34,005	-	10,983	44,988
Disposals	-	-	(15,896)	(1,620)	(223)	(17,739)	-	-	(17,739)
At 31 January 2006	255,255	17,228	670,990	28,401	20,593	992,467	21,074	12,138	1,025,679
<b>Accumulated depreciation and amortisation:</b>									
At 1 August 2005 (restated)	14,658	6,645	202,689	13,441	11,978	249,411	1,654	-	251,065
Charge for the period	2,332	893	32,863	2,600	1,532	40,220	211	-	40,431
Written back on disposals	-	-	(9,920)	(1,223)	(141)	(11,284)	-	-	(11,284)
At 31 January 2006	16,990	7,538	225,632	14,818	13,369	278,347	1,865	-	280,212
<b>Net book value:</b>									
At 31 January 2006	238,265	9,690	445,358	13,583	7,224	714,120	19,209	12,138	745,467
At 31 July 2005 (restated)	226,867	9,892	452,399	15,589	8,438	713,185	19,420	14,760	747,365

During the six months ended 31 January 2005, the Group acquired items of fixed assets with a cost of \$43,968,000. Items of fixed assets with a net book value of \$39,979,000 were disposed of during the six months ended 31 January 2005, resulting a loss on disposal of \$9,536,000.

At 31 January 2006, certain fixed assets had been pledged as security for bank loans (note 16(b)).

The Group leases certain production plant and machinery under finance leases expiring in one to two years. At the end of the lease terms the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The net book value of plant and machinery of the Group held under finance leases was \$37,168,000 at 31 January 2006 (31 July 2005: \$43,252,000).



# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 9 Goodwill

	The Group Positive goodwill \$'000
<b>Cost:</b>	
At 1 August 2004 and 31 July 2005	2,743
At 1 August 2005	2,743
Opening balance adjustment to eliminate accumulated amortisation	(571)
At 31 January 2006	2,172
<b>Accumulated amortisation:</b>	
At 1 August 2004	297
Amortisation for the period	274
At 31 July 2005	571
At 1 August 2005	571
Eliminated against cost at 1 August 2005	(571)
At 31 January 2006	-
<b>Carrying amount:</b>	
At 31 January 2006	2,172
At 31 July 2005	2,172

In 2005, positive goodwill not already recognised directly in reserves was amortised on a straight-line basis over ten years. The amortisation of positive goodwill for the year ended 31 July 2005 was included in "other operating expenses" in the consolidated income statement.

As explained further in note 2(e) with effect from 1 August 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 August 2005 has been eliminated against the cost of goodwill as at that date.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 10 Interests in associates

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Share of net assets	6,555	9,528

Set out below are the particulars of the associates.

Name of associates	Form of business structure	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
					Group's effective interest	Held by a subsidiary	
Wako VS Nano Technologies (Zhuhai) Co., Ltd. ("Wako VS Zhuhai")	Sino-foreign equity joint venture	PRC	PRC	Registered capital of US\$3,900,000	47.2% (note (i))	35.1%	Manufacturing and selling of plastic parts and components of electronics products using spray painting technology
Wako VS Nano Technologies (Hong Kong) Co., Ltd. ("Wako VS HK")	Limited liability company	Hong Kong	PRC	2,600,000 ordinary shares of US\$1 each	18.9% (note (ii))	18.9%	Investment holding

Notes:

- (i) Wako VS HK holds a direct equity interest of 64.1% in Wako VS Zhuhai. Hence, the Group's effective equity interest in Wako VS Zhuhai is 47.2%.
- (ii) Although the Group's equity interest in Wako VS HK is 18.9%, the management of the Group consider they are able to exert significant influence over its management, including participation in the financial and operating policy decisions. Hence, Wako VS HK is considered to be an associate of the Group.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 11 Inventories

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Raw materials	68,763	72,858
Work-in-progress	34,146	33,548
Finished goods	63,318	74,406
	<b>166,227</b>	180,812

At 31 January 2006, inventories stated at net realisable value amounted to \$9,982,000 (31 July 2005: \$7,631,000).

## 12 Trade and other receivables

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Trade receivables	180,683	212,973
Bills receivable	33,398	10,422
Other receivables, prepayments and deposits	42,223	36,781
	<b>256,304</b>	260,176

All of the trade and other receivables are expected to be recovered within one year. Credit terms granted by the Group to customers generally range from 30 to 120 days. The ageing analysis of trade and bills receivable (net of impairment losses) is as follows:

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Within 30 days	95,476	121,433
Over 30 days but within 90 days	97,574	81,271
Over 90 days and less than one year	21,031	20,691
	<b>214,081</b>	223,395

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 13 Deposits with banks

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Deposits with banks with original maturity date over three months	–	1,923
Fixed deposits with banks	149,979	154,780
	<b>149,979</b>	<b>156,703</b>

Certain fixed deposits with banks have been pledged to banks as security for bank loans (note 16(b)) and other banking facilities (note 15(b)).

## 14 Cash and cash equivalents

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Cash and cash equivalents in the balance sheet	106,378	109,631
Bank overdraft	(26,957)	(25,314)
Cash and cash equivalents in the cash flow statement	79,421	84,317

## 15 Trade and other payables

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Trade payables	154,274	187,344
Bills payable	9,615	20,883
Accrued charges and other payables	88,469	94,456
	<b>252,358</b>	<b>302,683</b>

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

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 15 Trade and other payables (continued)

(a) The ageing analysis of trade and bills payable is as follows:

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Due within 30 days or on demand	68,129	150,342
Due after 30 days but within 90 days	73,060	38,339
Due after 90 days but within 180 days	13,085	19,546
Due after 180 days but within 365 days	9,615	-
Total creditors and bills payable	<b>163,889</b>	208,227

(b) Banking facilities in connection with trade finance are secured by the following assets owned by the Group.

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Pledged fixed deposits with banks (note 13)	9,615	13,807
Bills receivable	-	5,769
	<b>9,615</b>	19,576

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 16 Interest-bearing borrowings

(a) An analysis of current and non-current bank loans and overdrafts is as follows:

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
<b>Current:</b>		
Overdrafts		
– secured	–	25,314
– unsecured	<b>26,957</b>	–
	<b>26,957</b>	25,314
Bank loans		
– secured	<b>345,768</b>	279,331
– unsecured	<b>155,637</b>	197,236
	<b>501,405</b>	476,567
Proceeds from discounted bills	<b>25,880</b>	–
	<b>554,242</b>	501,881
<b>Non-current:</b>		
Bank loans		
– secured	<b>219,797</b>	277,005
	<b>774,039</b>	778,886

None of the non-current bank loans is expected to be settled within one year.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 16 Interest-bearing borrowings (continued)

(b) The Company has given a corporate guarantee in respect of bank overdrafts.

Banking facilities are secured by the following assets of the Group.

	At 31 January 2006 \$'000	At 31 July 2005 (restated) \$'000
Fixed deposits (note 13)	140,364	140,973
Motor vehicles with aggregate carrying value (note 8)	251	828
Leasehold land held for own use under operating leases with aggregate carrying value (note 8)	18,924	19,135
Buildings with aggregate carrying value (note 8)	186,882	218,301
Plant and machinery with aggregate carrying value (note 8)	179,763	175,385
	<b>526,184</b>	554,622

Such banking facilities, totalling \$587,988,000 (31 July 2005: \$595,539,000), were utilised to the extent of \$565,565,000 (31 July 2005: \$581,650,000) at 31 January 2006.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 17 Obligations under finance leases

At 31 January 2006, the Group had obligations under finance leases repayable as follows:

	At 31 January 2006			At 31 July 2005		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
<b>Amounts payable:</b>						
Within 1 year	12,379	567	12,946	12,063	598	12,661
After 1 year but within 2 years	2,269	44	2,313	8,310	167	8,477
After 2 years but within 5 years	-	-	-	319	1	320
	2,269	44	2,313	8,629	168	8,797
	14,648	611	15,259	20,692	766	21,458

The Company has given a corporate guarantee in respect of these lease obligations.

## 18 Share option scheme

The Company has a share option scheme which was approved by the then shareholders on 20 January 2002 whereby directors of the Company are authorised, at their discretion, to invite eligible participants, including directors of any Company in the Group, to take up options to subscribe for shares of the Company.

The exercise price of options granted, as specified in the rules governing the share option scheme, is to be not less than the higher of the closing price of the shares of the Company on the Stock Exchange on the date of the offer of grant of the options, the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options and the nominal value of a share. For acceptance of options granted by the Company, an eligible participant is required to remit \$1 to the Company at the principal place of business of the Company in Hong Kong within 21 days from the date of receiving the offer of the options. As at 12 July 2005, 58 eligible participants had accepted the offer of options granted by the Company.



# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 18 Share option scheme (continued)

The options are exercisable during the following exercise periods, all of which fall within the period of two years commencing from 12 July 2005:

Date granted	Vesting period	Exercise period	Percentage of options granted
12 July 2005	–	12 July 2005 to 12 July 2007	25%
	12 July 2005 to 24 November 2005	25 November 2005 to 12 July 2007	25%
	12 July 2005 to 9 April 2006	10 April 2006 to 12 July 2007	25%
	12 July 2005 to 22 August 2006	23 August 2006 to 12 July 2007	25%

Pursuant to the rules of the share option scheme, share options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

(a) The number and weighted average exercise prices of share options are as follows:

	At 31 January 2006		At 31 July 2005	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period	\$ 0.18	48,988	\$ –	–
Exercised during the period	\$ 0.18	(6,946)	\$ –	–
Lapsed during the period	\$ 0.18	(950)	\$ –	–
Granted during the period	\$ –	–	\$ 0.18	48,988
Outstanding at the end of the period	\$ 0.18	41,092	\$ 0.18	48,988
Exercisable at the end of the period	\$ 0.18	17,220	\$ 0.18	12,247

The weighted average share price at the date of exercise for shares options exercised during the period was \$0.23 (2005: \$Nil).

The options outstanding at 31 January 2006 had an exercise price of \$0.18 (2005: \$0.18) and a weighted average remaining contractual life of 1.5 years (2005: 2 years).

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 18 Share option scheme (continued)

### (b) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model with modification to reflect the impact of vesting period, exit rate and exercise pattern on the option value.

#### *Fair value of share options and assumptions*

Fair value at measurement date (weighted average)	\$	0.046
Share price	\$	0.185
Exercise price	\$	0.180
Expected volatility (expressed as weighted average volatility used in the modelling under the binomial model)		50%
Option life (expressed as weighted average life used in the modelling under the binomial model)		2 years
Expected dividends		4%
Risk-free interest rate (based on Exchange Fund Notes)		3.714%

The expected volatility is based on the historic volatility (the Group's stock price over one year prior to the grant date and in contrast to companies with similar businesses), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Pursuant to the rules of the share option scheme, share options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

There were no market conditions associated with the share option grants.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 19 Share capital

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
<b>Authorised:</b>		
4,000,000,000 ordinary shares of \$0.05 each	<b>200,000</b>	200,000
<b>Issued and fully paid:</b>		
At beginning of period	<b>41,000</b>	41,000
Shares issued under the share option scheme	<b>347</b>	–
At end of period	<b>41,347</b>	41,000

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 20 Reserves

### Attributable to equity holders of the Company

Note	Attributable to equity holders of the Company										
	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Foreign exchange translation reserve \$'000	Land and buildings revaluation reserve \$'000	Statutory reserve fund \$'000	Employee share-based capital reserve \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
At 1 August 2004											
as previously reported	41,000	63,755	35,800	304	93,620	13,015	-	140,739	388,233	4,164	392,397
prior period adjustment in respect of:											
- Leasehold land and buildings held for own use	2(b)	-	-	-	(93,620)	-	-	(770)	(94,390)	-	(94,390)
Balance as at 1 August 2004, as restated	41,000	63,755	35,800	304	-	13,015	-	139,969	293,843	4,164	298,007
Profit for the period, as restated	-	-	-	-	-	-	-	11,933	11,933	808	12,741
Appropriation of reserves	-	-	-	-	-	3,980	-	(3,980)	-	-	-
Dividend approved in respect of previous year	-	-	(4,100)	-	-	-	-	-	(4,100)	-	(4,100)
Balance as at 1 January 2005, as restated	41,000	63,755	31,700	304	-	16,995	-	147,922	301,676	4,972	306,648
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, as restated	-	-	-	9,272	-	-	-	-	9,272	-	9,272
Appropriation of reserves	-	-	-	-	-	1,160	-	(1,160)	-	-	-
Equity settled share-based transactions, as restated	-	-	-	-	-	-	689	-	689	-	689
Profit for the period, as restated	-	-	-	-	-	-	-	12,654	12,654	541	13,195
Balance as at 31 July 2005, as restated	41,000	63,755	31,700	9,576	-	18,155	689	159,416	324,291	5,513	329,804

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 20 Reserves (continued)

		Attributable to equity holders of the Company										
		Share capital	Share premium	Contributed surplus	Foreign exchange translation reserve	Land and buildings revaluation reserve	Statutory reserve fund	Employee	Retained profits	Minority interests	Total equity	
								share-based capital reserve				
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	At 1 August 2005	41,000	63,755	31,700	11,089	108,666	18,155	-	161,187	435,552	5,513	441,065
	as previously reported											
	prior period adjustment in respect of:											
	- Equity settled share-based transactions	2(d)	-	-	-	-	-	689	(689)	-	-	-
	- Leasehold land and buildings held for own use	2(b)	-	-	-	(1,513)	(108,666)	-	(1,082)	(111,261)	-	(111,261)
	Balance as at 1 August 2005, as restated	41,000	63,755	31,700	9,576	-	18,155	689	159,416	324,291	5,513	329,804
	Equity settled share-based transactions	18	347	1,210	-	-	-	807	-	2,364	-	2,364
	Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		-	-	-	(595)	-	-	-	(595)	-	(595)
	Dividend approved in respect of previous year		-	-	(6,606)	-	-	-	-	(6,606)	(520)	(7,126)
	Share options lapsed during the period	18	-	-	-	-	-	(43)	43	-	-	-
	Profit for the period		-	-	-	-	-	-	35,041	35,041	423	35,464
	At 31 January 2006	41,347	64,965	25,094	8,981	-	18,155	1,453	194,500	354,495	5,416	359,911

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 21 Commitments

### (a) Capital commitments outstanding not provided for in the interim financial report

Capital commitments outstanding at 31 January 2006 not provided for in the interim financial report were as follows:

	<b>At 31 January 2006 \$'000</b>	At 31 July 2005 \$'000
Contracted for	<b>3,367</b>	22,122
Authorised but not contracted for	<b>17,726</b>	6,429
	<b>21,093</b>	28,551

### (b) Operating lease commitments

The Group leases a number of properties under operating leases. The leases typically run for periods from one year to three years, with an option to renew the lease upon expiry when all terms are renegotiated. Lease charges of \$4,324,000 (2005: \$6,187,000) were recognised as expenses in the consolidated income statement (unaudited) in respect of operating leases. None of the leases includes contingent rentals.

The total future minimum lease payments of properties under non-cancellable operating leases are payable as follows:

	<b>At 31 January 2006 \$'000</b>	At 31 July 2005 \$'000
Within 1 year	<b>22,255</b>	19,464
After 1 year but within 5 years	<b>1,821</b>	11,809
	<b>24,076</b>	31,273

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 22 Material related party transactions

(a) During the six months ended 31 January 2006, significant transactions with related parties were as follows:

	For the six months ended 31 January	
	2006 \$'000	2005 \$'000
Sales to an associate	2,450	1,397
Sales to a substantial shareholder	5,366	1
Sales to a company controlled by a substantial shareholder	–	75
Sales to a minority shareholder of VSA Holding Hong Kong Co., Limited (“VSA(HK)”)	23,999	17,773
	<b>31,815</b>	19,246
Sales of fixed assets to an associate	–	15,854
Interest paid and payable to a substantial shareholder (Note (i))	857	978
Royalty fee paid to a minority shareholder of VSA(HK)	528	315
Operating lease charges paid to a company controlled by a director	3,670	3,226
Rental income received from an associate	449	257
Purchase of raw materials from a substantial shareholder	437	–
Management fee charged by a company controlled by a director	31	–
Sub-contracting fee charged by an associate	1,681	–
Refund of deposit by a company controlled by a director on behalf of the Zhuhai Land Resources Administration Bureau	–	4,159

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms or on terms described above in the ordinary course of business of the Group.

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 22 Material related party transactions (continued)

- (b) At 31 January 2006, amounts due from related parties included as part of trade and other receivables were as follows:

	At 31 January 2006 \$'000	At 31 July 2005 \$'000
Amount due from a minority shareholder of VSA(HK)	1,523	5,554
Amount due from a company controlled by a director	2,529	2,235
Amount due from an associate	5,692	3,370
	<b>9,744</b>	11,159

- (c) At 31 January 2006, amounts due to related parties were as follows:

	At January 2006		At 31 July 2005	
	Trade and other payables \$'000	Loan from a substantial shareholder \$'000	Trade and other payables \$'000	Loan from a substantial shareholder \$'000
Amounts due to directors	4,177	-	3,539	-
Amount due to a minority shareholder of VSA(HK)	-	-	503	-
Amount due to a shareholder				
– current portion (Note (i))	915	4,892	2,487	4,892
– non-current portion (Note (i))	-	26,902	-	29,348
	<b>5,092</b>	<b>31,794</b>	6,529	34,240

Note (i): Pursuant to the loan agreement entered into between the Group and the substantial shareholders dated 20 January 2002, the loan, which amounted to US\$6,279,000 (equivalent to \$48,916,000) as at the date of the loan agreement is repayable in twenty equal consecutive half-yearly instalments on 1 February and 1 August each year commencing on 1 August 2002. The loan is unsecured and carries interest at 5% per annum (2005: 5%) on the outstanding balance.



# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 23 Post balance sheet event

On 1 February 2006, the Group established a new wholly owned subsidiary, V.S. Holding Vietnam Limited (“VSHVL”) in the British Virgin Islands. On 20 February 2006, VSHVL, B&E Holding Limited (“B&E”) and VNT Company Limited (“VNT”) entered into a joint venture contract, under which the three parties have agreed to cooperate with each other in respect of an investment in VS Industry Vietnam Limited (“VS Vietnam”), a company incorporated in Vietnam, for the manufacturing and sales of plastic moulded products and parts. The Group’s total commitment to VS Vietnam is US\$895,500 (equivalent to approximately \$6,984,000), representing approximately 18.8% of the initial capital of VS Vietnam.

## 24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2006

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ending 31 July 2006 and which have not been adopted in this interim financial report:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 6	Exploration for evaluation of mineral resources	1 January 2006
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
HK(IFRIC) 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
HK(IFRIC) 6	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment	1 December 2005
Amendments to HKAS 19	Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 39	Financial instruments: Recognition and measurement:	
	– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006

# Notes on the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars)

## 24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2006 (continued)

		<b>Effective for accounting periods beginning on or after</b>
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
– HKAS 1	Presentation of financial statements	1 January 2006
– HKAS 27	Consolidated and separate financial statements	1 January 2006
– HKFRS 3	Business combinations	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

The above amendments, new standard and interpretation were not applied in this interim financial report because the directors expect that the Group will not early adopt them when preparing the Group's annual financial statements for the year ending 31 July 2006.

The Group is in the process of making an assessment of the impact of these amendments, new standard and new interpretations in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 25 Approval of interim financial report

The interim financial report was approved by the Board on 18 March 2006.

# Management Discussion and Analysis of Results of Operations

## OVERVIEW

The Group has demonstrated significant improvement in all its operation performances. Earnings per share has increased to 4.26 cents for the six months ended 31 January 2006 as compared to 1.46 cents for the last corresponding period.

During the period under review, the Group recorded turnover of HK\$715.53 million, representing a rise of 15.46% as compared to that of HK\$619.72 million for the last corresponding period. In tandem with the improvement in turnover, the Group's gross profit increased by HK\$16.94 million to HK\$116.09 million from HK\$99.15 million for the last corresponding period.

Profit attributable to shareholders had soared from HK\$11.93 million in the last corresponding period to HK\$35.04 million for the period under review.

## BUSINESS AND FINANCIAL REVIEW

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

### *Plastic injection moulding business*

The Group's principal business, plastic injection moulding, continued to record positive growth during the period under review. Sales generated from this business segment had recorded HK\$568.90 million, as compared to HK\$489.71 million for the last corresponding period. The increase is mainly due to introduction of new models and increased orders from existing customers. Its contribution to the Group's turnover remained at approximately 79%.

The segment result of plastic injection moulding business had registered improvement from HK\$59.42 million for the last corresponding period to HK\$79.87 million for the period under review. Labor costs experienced substantial increase during the period under review primarily due to the upward revision of minimum wages in PRC. However, with higher utilization of production capacity and the development of higher value added secondary processes, the profit margin for this segment recorded a satisfactory improvement from 12.13% to 14.04%.

### *Assembling of electronic products business*

Turnover for the assembling of electronic products business had increased by 9.81% against the last corresponding period. The increase of orders was due to introduction of new semi assembly of audio products from existing customers. The Group is in the course of securing potential customers and anticipates that more sales will be generated in the subsequent period.

Fees generated from the processing of printed circuit board for electronic products and its related electronic products using surface mounting technologies had registered improvement from HK\$17.81 million for the last corresponding period to HK\$23.25 million for the period under review. The profit margin of this segment remained comparable to that of the last corresponding period.

# Management Discussion and Analysis of Results of Operations

## **Mould design and fabrication business**

Mould design and fabrication business has achieved remarkable growth in the first six-month period, turnover generated from the mould design and fabrication business showed an increase of 19.28% to reach HK\$48.82 million as compared to HK\$40.93 million for the last corresponding period. The increase is due to increased orders from existing and new customers.

However, due mainly to the increase of labor cost, this segment had recorded reduced profit margin of 21.46% during the period under review as compared to 25.71% for the last corresponding period.

## **Distribution and administrative expenses**

During the period under review, the Group recorded total distribution expenses of HK\$11.16 million, representing a reduction of 8.99% as compared to that of the last corresponding period. The reduction was mainly resulted from the management's effectiveness in credit control, which has reduced the exposure to doubtful debt, and therefore decreased the amount required for impairment losses for bad and doubtful debts for the period under review.

Administrative expenses for the period under review had increased generally by 1.02% to register at HK\$41.18 million. The increase was mainly due to the adoption of new accounting policy HKFRS 2, which the Group had recognised HK\$1.11 million fair value of share options granted to the employees as an expense in the income statement.

## **Finance costs**

During the period under review, the Group incurred higher total borrowing costs which amounted to HK\$24.52 million as compared to HK\$18.53 million for the last corresponding period. The total borrowing costs has increased as a result of higher interest rate and borrowing level. However the exchange gain of HK\$0.57 million incurred during the period under review, as compared to an exchange loss of HK\$5.30 million incurred in the last corresponding period, had cushioned such impact and reduced the total finance costs. The net exchange gain generated from the settlement of machinery and equipment for the period under review largely resulted from appreciation of the Renminbi against the Japanese Yen.

## **Share of losses of associates**

The Group had recorded share of losses of associates of HK\$2.97 million for the period under review. The losses is mainly due to the under utilisation of production capacity in the manufacturing of plastic parts and components using spray painting technology. The Group is in the course of developing potential customers, production process and stabilising the production yield.

## Future Prospects

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With the restructured organisation and new hike achievement in the Group's turnover, the prospect of the Group is encouraging going forward. Looking on the growing global demand for consumer electronics products and based on the existing operating environments, the Directors expect the performance of the Group will continue to be satisfactory for the current financial year.

Consistent with the Group's strategy to continue strengthening its core business in plastic injection, the Group has expanded into the Vietnam market through a joint venture in Vietnam. The cooperation and joint investment is for the manufacturing and sales of plastic mould products and parts. Given the present low cost infrastructure, Vietnam is expected to be a substantial manufacturing base in the region. Such a perception has prompted the management to consider establishing an early presence in Vietnam. This joint venture has marked a strategic move of the Group to become a market player in the Vietnam plastic injection industry.

The Group is currently focusing on quality control and upgrading the measure equipments in mould design and fabrication business. This approach is to build up the segment's ability to cater for high-end products that require advanced technology. It is anticipated that this segment will continue to achieve remarkable growth in the second half of the current financial year and maintain its profit contribution to the Group.

As for the assembling of electronic products business, the Group has successfully developed a new customer base engaged in the assembly of photo printing machine. The Group is anticipating a continuing improvement in this segment for both turnover and profit contribution for the coming second half of the financial year. Despite the fact that processing of printed circuit board business of the Group had continuously achieved growth, the Group is still in the process of widening its customer base.

To enhance the profitability of the Group, the Directors will continue to monitor closely the Group's cost of financing and improve gearing by the internal generated fund. The Group will also manage internal control by enhancing the current enterprise resources planning system and inventory management to further strengthen its solid management for the challenge ahead.

# Other Information

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2006, the Group had cash and bank deposits of HK\$256.36 million (2005: HK\$266.33 million) of which HK\$149.98 million (2005: HK\$154.78 million) were pledged to banks for banking facilities granted to the Group. The cash and bank deposits were denominated in United States ("US") dollars, Renminbi ("RMB") and Hong Kong dollars which represented 78.08%, 20.56% and 1.36% respectively of the total cash and bank deposits.

The Group generally finances its operations through a combination of shareholders equity, internally generated cash flows and borrowings from banks in Hong Kong and the PRC. As at 31 January 2006, the Group had unutilised banking facilities of HK\$27.92 million (2005: HK\$27.43 million).

The Group's total borrowings as at 31 January 2006 amounted to HK\$820.48 million (2005: HK\$833.82 million) which included a shareholder's loan of HK\$31.79 million (2005: HK\$34.24 million). The borrowings were mainly for business expansion, capital expenditure and working capital purposes with interest rates ranging from 4.70% per annum to 7.75% per annum. The amounts of borrowings denominated in US dollars, RMB and Hong Kong dollars were the equivalent of HK\$353.89 million, HK\$424.08 million and HK\$42.51 million, respectively.

The Group's gearing ratio, represented by the net interest bearing borrowings over the Group's total asset as at 31 January 2006, was 39.36% (2005: 38.70%). The Directors would continue to monitor the borrowing level and try their best to maintain the gearing ratio at a reasonable level.

Even though the Group's current liabilities exceed its current assets by HK\$145.32 million, the Directors believe that with the Group's internally generated funds and current banking facilities, the Group has sufficient financial resources to satisfy its current commitments and ongoing working capital requirements.

## CHARGES ON ASSETS

As at 31 January 2006, certain assets of the Group with aggregate carrying value of HK\$535.80 million (2005: HK\$574.20 million) were pledged to secure banking facilities granted to the Group.

## FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange rate fluctuations during the period under review including turnover, purchases and borrowings, were denominated in US dollars, Japanese Yen, Renminbi and Hong Kong dollars. With the appreciation of Renminbi against US dollars, the Group reported a net exchange gain of HK\$0.57 million during the period under review, against a net exchange loss of HK\$5.30 million in the last corresponding period. The Group foresees that Renminbi will continue to strengthen against US dollars and the management will closely monitor the exchange rate fluctuation to ensure sufficient prevention measure for any adverse impact.

## Other Information

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### EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2006, the Group had total of 7,698 employees (31 July 2005: 8,141). On top of that, 890 (31 July 2005: 1,019) persons were engaged by certain Providers under processing arrangements. During the period under review, there was no significant change in the Group's remuneration policies for its employees.

Employees' costs of the Group (excluding Directors' emoluments but including wages paid to employees employed under the processing arrangements with the Providers) for the period under review amounted to approximately HK\$90.26 million (31 January 2005: HK\$58.95 million). The Group's remuneration packages are maintained at competitive level and the Group's employees are rewarded on a performance basis and according to the experience of the individual employees.

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

The Company conditionally adopted a share option scheme 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 granted options under the Scheme to subscribe for shares (each a "Share") of the Company to its employees and Directors.

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

During the period under review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

### AUDIT COMMITTEE

The Board established the Audit Committee on 20 January 2002 with written terms of reference in compliance with the code provisions set out in the Appendix 14 to the Listing Rules. The Audit Committee was re-constituted on 30 September 2004. 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 comprises three independent non-executive Directors, namely, Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow.

The Audit Committee has reviewed the Group's financial statements for the six months ended 31 January 2006 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.

## Other Information

### DIRECTOR'S INTEREST IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 31 January 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), ("SF Ordinance")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SF Ordinance) or which will be required pursuant to section 352 of the SF Ordinance to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director (Note 1)	The Company/ name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	39,200,775 Shares (L) (Note 3 and 11)	4.74%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–
Gan Sem Yam	The Company	Beneficial owner	39,200,775 Shares (L) (Note 4 and 11)	4.74%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–



## Other Information

### DIRECTOR'S INTEREST IN SHARES UNDERLYING SHARES AND DEBENTURES (continued)

Name of Director (Note 1)	The Company name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	39,200,775 Shares (L) (Note 5 and 11)	4.74%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–
Zhang Pei Yu	The Company	Beneficial owner	2,500,000 Shares (L) (Note 6 and 11)	0.30%
Gan Tiong Sia	The Company	Beneficial owner	29,900,775 Shares (L) (Note 7 and 11)	3.62%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	500,000 Shares (L) (Note 8 and 11)	0.06%
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	500,000 Shares (L) (Note 9 and 11)	0.06%
Tang Sim Cheow	The Company	Beneficial owner	300,000 Shares (L) (Note 10 and 11)	0.04%

# Other Information

## DIRECTOR'S INTEREST IN SHARES UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.
2. The letter "L" represents the Director's interest in the shares and underlying shares of the Company or its associated corporations.
3. 8,200,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Beh Kim Ling by the Company under the Scheme, details of which are set out in note 11 below.
4. 8,200,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Gan Sem Yam by the Company under the Scheme, details of which are set out in note 11 below.
5. 8,200,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Madam Gan Chu Cheng by the Company under the Scheme, details of which are set out in note 11 below.
6. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Zhang Pei Yu by the Company under the Scheme, details of which are set out in note 11 below.
7. 2,000,000 of these Shares were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Gan Tiong Sia by the Company under the Scheme, details of which are set out in note 11 below.
8. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Diong Tai Pew by the Company under the Scheme, details of which are set out in note 11 below.
9. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Cheung Kwan Hung, Anthony by the Company under the Scheme, details of which are set out in note 11 below.
10. These were Shares that would be allotted and issued upon exercise in full of share options granted to Mr. Tang Sim Cheow by the Company under the Scheme, details of which are set out in note 11 below.
11. On 12 July 2005 share options were granted by the Company under the Scheme to, among other eligible participants, the Directors. All these share options, which remained outstanding as at 31 January 2006, are exercisable at a subscription of HK\$0.18 per Share during the exercise periods set out below. Details of the share options granted are as follows:

Name of Director	Number of Shares that would be allotted and issued	Exercise period
Beh Kim Ling	(i) 2,050,000	12 July 2005 to 12 July 2007
	(ii) 2,050,000	25 November 2005 to 12 July 2007
	(iii) 2,050,000	10 April 2006 to 12 July 2007
	(iv) 2,050,000	23 August 2006 to 12 July 2007
Gan Sem Yam	(i) 2,050,000	12 July 2005 to 12 July 2007
	(ii) 2,050,000	25 November 2005 to 12 July 2007
	(iii) 2,050,000	10 April 2006 to 12 July 2007
	(iv) 2,050,000	23 August 2006 to 12 July 2007

# Other Information

## DIRECTOR'S INTEREST IN SHARES UNDERLYING SHARES AND DEBENTURES (continued)

Name of Director	Number of Shares that would be allotted and issued	Exercise period
Gan Chu Cheng	(i) 2,050,000	12 July 2005 to 12 July 2007
	(ii) 2,050,000	25 November 2005 to 12 July 2007
	(iii) 2,050,000	10 April 2006 to 12 July 2007
	(iv) 2,050,000	23 August 2006 to 12 July 2007
Zhang Pei Yu	(i) 625,000	12 July 2005 to 12 July 2007
	(ii) 625,000	25 November 2005 to 12 July 2007
	(iii) 625,000	10 April 2006 to 12 July 2007
	(iv) 625,000	23 August 2006 to 12 July 2007
Gan Tiong Sia	(i) 500,000	12 July 2005 to 12 July 2007
	(ii) 500,000	25 November 2005 to 12 July 2007
	(iii) 500,000	10 April 2006 to 12 July 2007
	(iv) 500,000	23 August 2006 to 12 July 2007
Diong Tai Pew	(i) 125,000	12 July 2005 to 12 July 2007
	(ii) 125,000	25 November 2005 to 12 July 2007
	(iii) 125,000	10 April 2006 to 12 July 2007
	(iv) 125,000	23 August 2006 to 12 July 2007
Cheung Kwan Hung, Anthony	(i) 125,000	12 July 2005 to 12 July 2007
	(ii) 125,000	25 November 2005 to 12 July 2007
	(iii) 125,000	10 April 2006 to 12 July 2007
	(iv) 125,000	23 August 2006 to 12 July 2007
Tang Sim Cheow	(i) 75,000	12 July 2005 to 12 July 2007
	(ii) 75,000	25 November 2005 to 12 July 2007
	(iii) 75,000	10 April 2006 to 12 July 2007
	(iv) 75,000	23 August 2006 to 12 July 2007

Save as disclosed above, none of the Directors and chief executive of the Company had any interest and short positions in the share, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SF Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which he/she was taken or deemed to have under such provisions of the SF Ordinance), or which were required, pursuant to section 352 of the SF Ordinance, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## Other Information

### DISCLOSEABLE INTEREST UNDER DIVISION 2 AND 3 OF PART XV OF THE SF ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 January 2006, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance:

Name of Shareholder	Number of Shares held (Note 1)	Nature of interest/Capacity	Approximate percentage of interest
V.S. Industry Berhad	371,996,900 (L)	Beneficial owner	44.98%
Inabata Sangyo (HK) Limited	82,000,000 (L)	Beneficial owner	9.92%
Value Partners Limited ("Value Partners")	48,928,000 (L)	Investment manager (Note 2)	5.92%
Atlantis Investment Management Ltd	48,156,000 (L)	Investment manager	5.82%

Notes:

1. The letter "L" represents the person's interest in the Shares.
2. These Shares were registered in the name of and beneficially owned by Value Partners, 31.82% of the entire issued share capital of which is beneficially owned by Mr. Cheah Cheng Hye.

Save as disclosed above, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had any interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which was required to be recorded in the register kept by the Company pursuant to Section 336 of the SF Ordinance.

## Other Information

### SHARE OPTION SCHEME

The following table discloses details of share options held by the grantees and movements in such holdings during the six months ended 31 January 2006:

Name of grantee	Date of grant (Note 1)	Exercise period	Exercise price HK\$	Outstanding at 1 August 2005	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2006
<b>Directors</b>								
Beh Kim Ling	12 July 2005	12 July 2005 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		25 November 2005 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		10 April 2006 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		23 August 2006 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
Gan Sem Yam	12 July 2005	12 July 2005 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		25 November 2005 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		10 April 2006 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		23 August 2006 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
Gan Chu Cheng	12 July 2005	12 July 2005 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		25 November 2005 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		10 April 2006 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000
		23 August 2006 to 12 July 2007	0.18	2,050,000	-	-	-	2,050,000

## Other Information

### SHARE OPTION SCHEME (continued)

Name of grantee	Date of grant (Note 1)	Exercise period	Exercise price HK\$	Outstanding at 1 August 2005	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2006
<b>Directors (continued)</b>								
Zhang Pei Yu	12 July 2005	12 July 2005 to 12 July 2007	0.18	625,000	(625,000)	-	-	-
		25 November 2005 to 12 July 2007	0.18	625,000	(625,000)	-	-	-
		10 April 2006 to 12 July 2007	0.18	625,000	-	-	-	625,000
		23 August 2006 to 12 July 2007	0.18	625,000	-	-	-	625,000
Gan Tiong Sia	12 July 2005	12 July 2005 to 12 July 2007	0.18	500,000	-	-	-	500,000
		25 November 2005 to 12 July 2007	0.18	500,000	-	-	-	500,000
		10 April 2006 to 12 July 2007	0.18	500,000	-	-	-	500,000
		23 August 2006 to 12 July 2007	0.18	500,000	-	-	-	500,000
Diong Tai Pew	12 July 2005	12 July 2005 to 12 July 2007	0.18	125,000	-	-	-	125,000
		25 November 2005 to 12 July 2007	0.18	125,000	-	-	-	125,000
		10 April 2006 to 12 July 2007	0.18	125,000	-	-	-	125,000
		23 August 2006 to 12 July 2007	0.18	125,000	-	-	-	125,000

## Other Information

### SHARE OPTION SCHEME (continued)

Name of grantee	Date of grant (Note 1)	Exercise period	Exercise price HK\$	Outstanding at 1 August 2005	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2006
<b>Directors (continued)</b>								
Cheung Kwan Hung, Anthony	12 July 2005	12 July 2005 to 12 July 2007	0.18	125,000	-	-	-	125,000
		25 November 2005 to 12 July 2007	0.18	125,000	-	-	-	125,000
	12 July 2005	10 April 2006 to 12 July 2007	0.18	125,000	-	-	-	125,000
		23 August 2006 to 12 July 2007	0.18	125,000	-	-	-	125,000
Tang Sim Cheow	12 July 2005	12 July 2005 to 12 July 2007	0.18	75,000	-	-	-	75,000
		25 November 2005 to 12 July 2007	0.18	75,000	-	-	-	75,000
	12 July 2005	10 April 2006 to 12 July 2007	0.18	75,000	-	-	-	75,000
		23 August 2006 to 12 July 2007	0.18	75,000	-	-	-	75,000
				30,400,000	(1,250,000)	-	-	29,150,000

# Other Information

## SHARE OPTION SCHEME (continued)

Name of grantee	Date of grant (Note 1)	Exercise period	Exercise price HK\$	Outstanding at 1 August 2005	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2006
<b>Other employees</b> (Note 2)	12 July 2005	12 July 2005 to 12 July 2007	0.18	4,522,000	(4,449,000)	–	(73,000)	0
		25 November 2005 to 12 July 2007	0.18	4,522,000	(1,247,000)	–	(255,000)	3,020,000
		10 April 2006 to 12 July 2007	0.18	4,522,000	–	–	(311,000)	4,211,000
		23 August 2006 to 12 July 2007	0.18	4,522,000	–	–	(311,000)	4,211,000
					18,088,000	(5,696,000)	–	(950,000)
<b>Employees of VS Industry Berhad</b>	12 July 2005	12 July 2005 to 12 July 2007	0.18	125,000	–	–	–	125,000
		25 November 2005 to 12 July 2007	0.18	125,000	–	–	–	125,000
		10 April 2006 to 12 July 2007	0.18	125,000	–	–	–	125,000
		23 August 2006 to 12 July 2007	0.18	125,000	–	–	–	125,000
					500,000	–	–	–
			48,988,000	(6,946,000)	–	(950,000)	41,092,000	

Notes:

1. The weighted average closing price of the Shares immediately before the date of the grant of share options, was HK\$0.185.
2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Cap. 57, Laws of Hong Kong).

At the date of this report, the total number of Shares to be issued upon exercise in full of the outstanding options is 41,092,000, representing 4.97% of the issued share capital of the Company at the date of this report.



## Other Information

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### COMPLIANCE WITH APPENDIX 14 TO THE LISTING RULES

Save that (1) the non-executive Director and two of the independent non-executive Directors, are not appointed for specific terms, (2) the remuneration committee of the Board was not established until 14 February 2006, and (3) the code on corporate governance was not adopted until 14 February 2006, 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 six months ended 31 January 2006, in compliance with the relevant requirements of Appendix 14 to the Listing Rules. The Board is considering to change the term of appointment of such Directors to a specific term.

### COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

The Company adopted on 30 September 2004 its new securities dealing code ("New Code") regarding the dealings of the Directors and members of the senior management of the Group in securities of the Company, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in the revised Appendix 10 to the Listing Rules which came into effect on 31 March 2004.

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 New Code and Appendix 10 to the Listing Rules.

By order of the Board

**V.S. International Group Limited**

**Beh Kim Ling**

*Chairman*

Zhuhai, the PRC

18 March 2006

# Independent Review Report



## Independent review report to the board of directors of V.S. International Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 42.

### Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700, “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

### Review conclusion

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 January 2006.

### KPMG

*Certified Public Accountants*

Hong Kong,

18 March 2006