V.S. International Group Limited

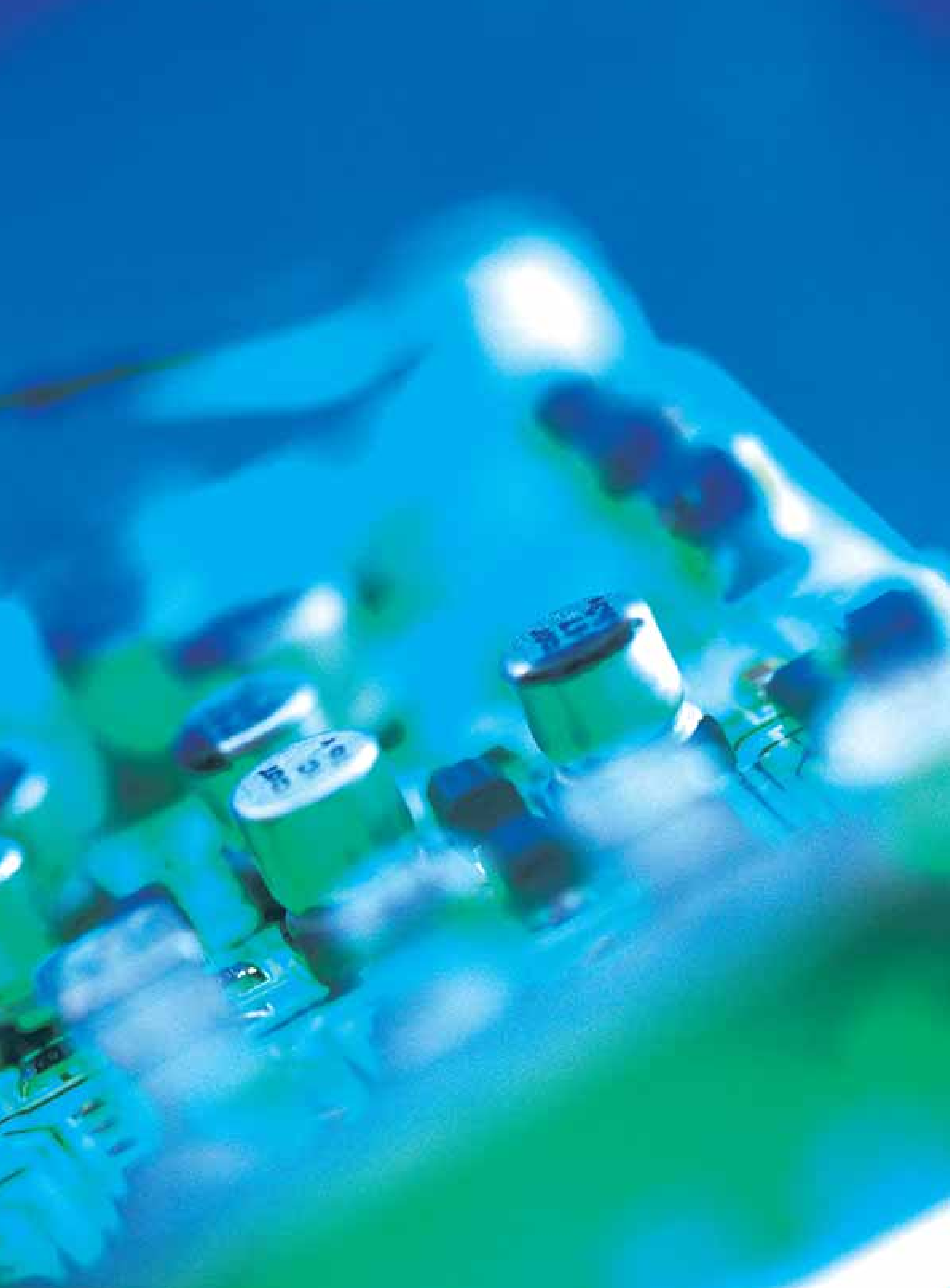
威鋮國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

Rising to the Challenge

Annual Report 2006/07



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Corporate Profile

V.S. International Group Limited ("Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and moulds design and fabrication.

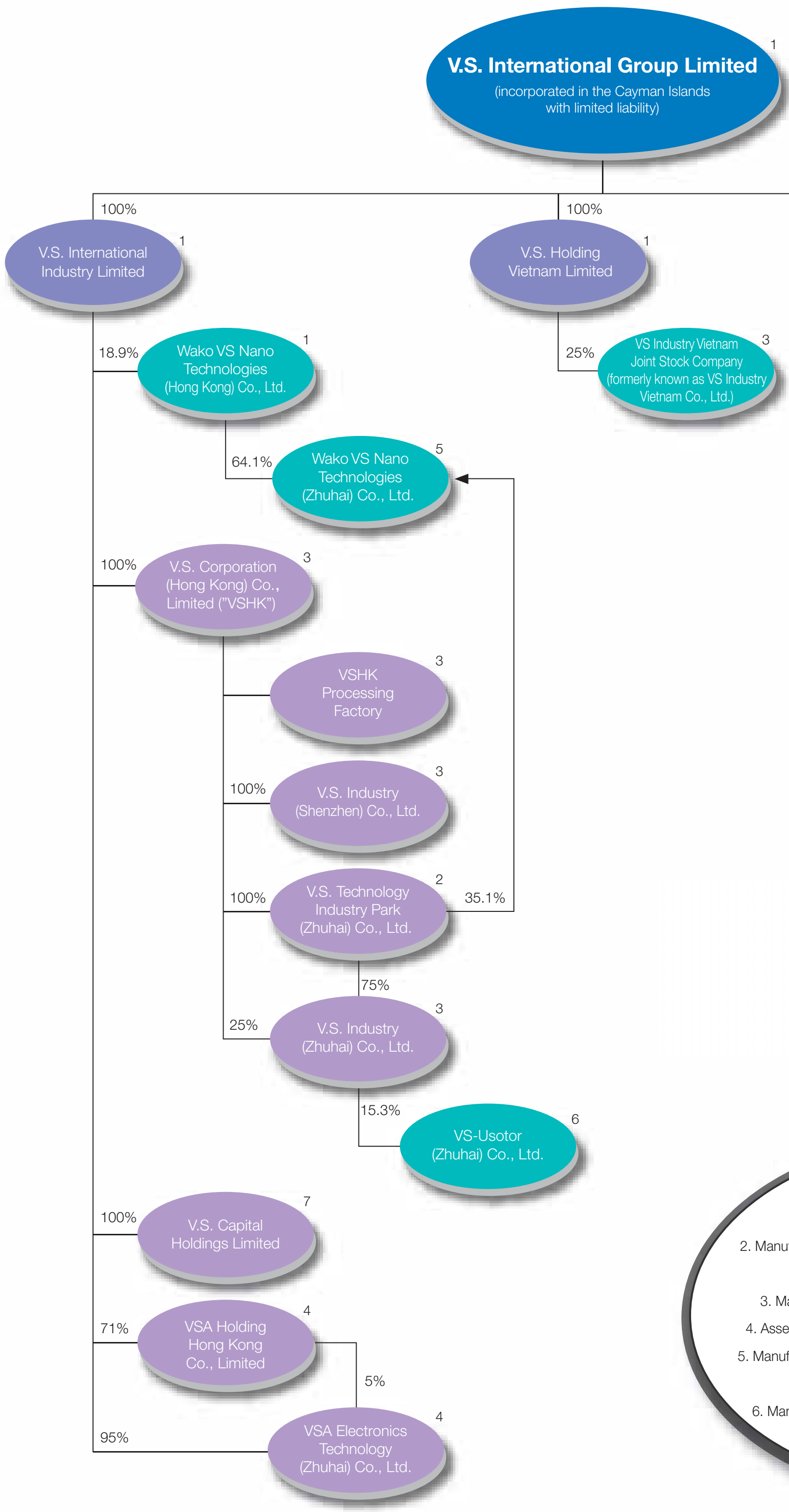
The Group commenced its business in 1997 in Shenzhen, the People's Republic of China ("PRC") and was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in February 2002.

Currently, the Group has three main production facilities in the PRC, namely Shenzhen, Zhuhai and Qingdao. In view of the opportunities, the Group has ventured into Vietnam seizing the moment to emerge as one of the major plastic moulded products suppliers across the region.

The Group has continued to excel its competitive edge by extensively promoting its services as on integrated manufacturing provider and one-stop customer solution services. The Group devotes efforts in achieving its ultimate goal of becoming a leading integrated electronics manufacturing service provider in the PRC.

Corporate Structure

As of 21 September 2007



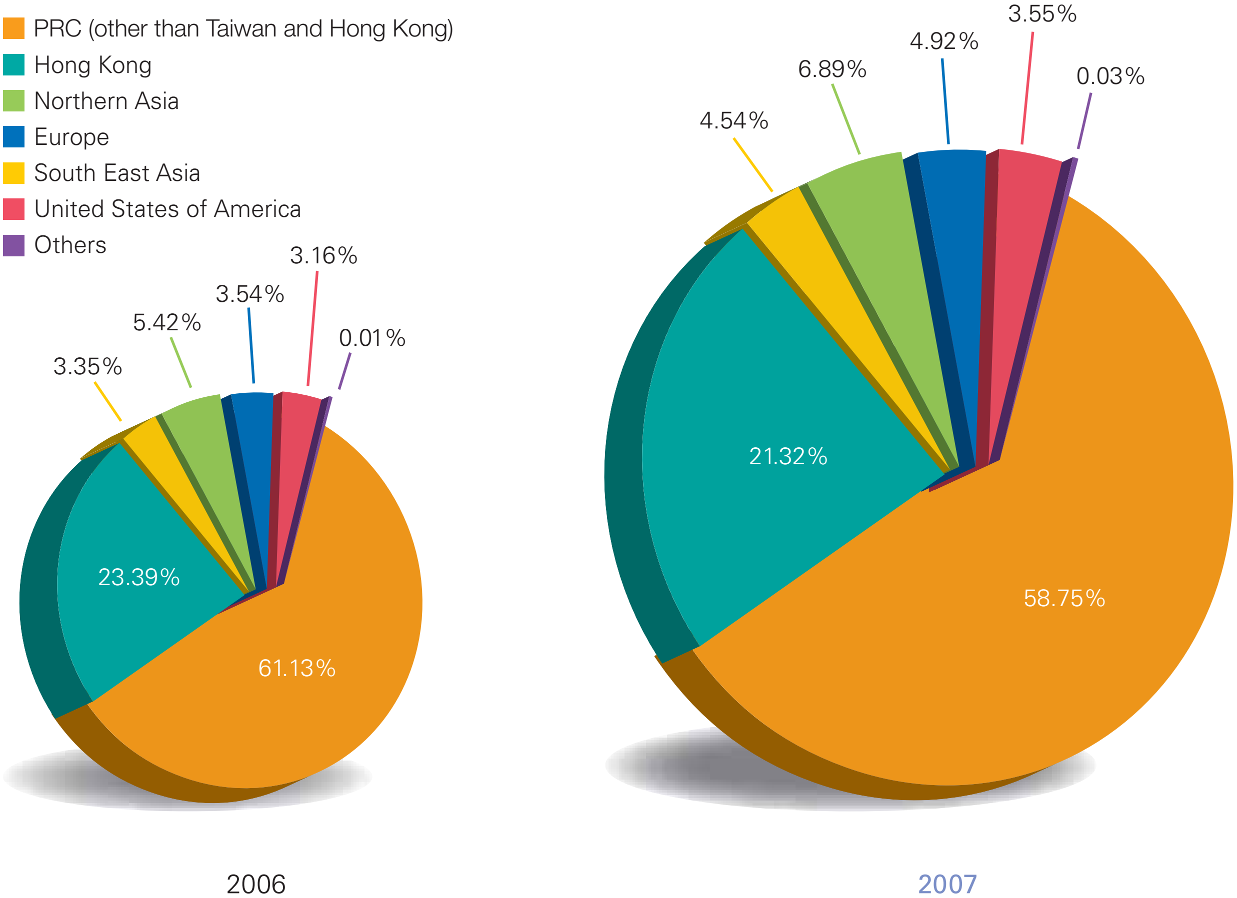
Principal Activities:

1. Investment holding
2. Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
3. Manufacturing and selling of plastic moulded products and parts
4. Assembling and selling of electronic products, parts and components
5. Manufacturing and selling of plastic parts and components for electronic products using spray painting technology
6. Manufacturing and selling of metal stamped parts and components
7. Dormant

Financial Highlights

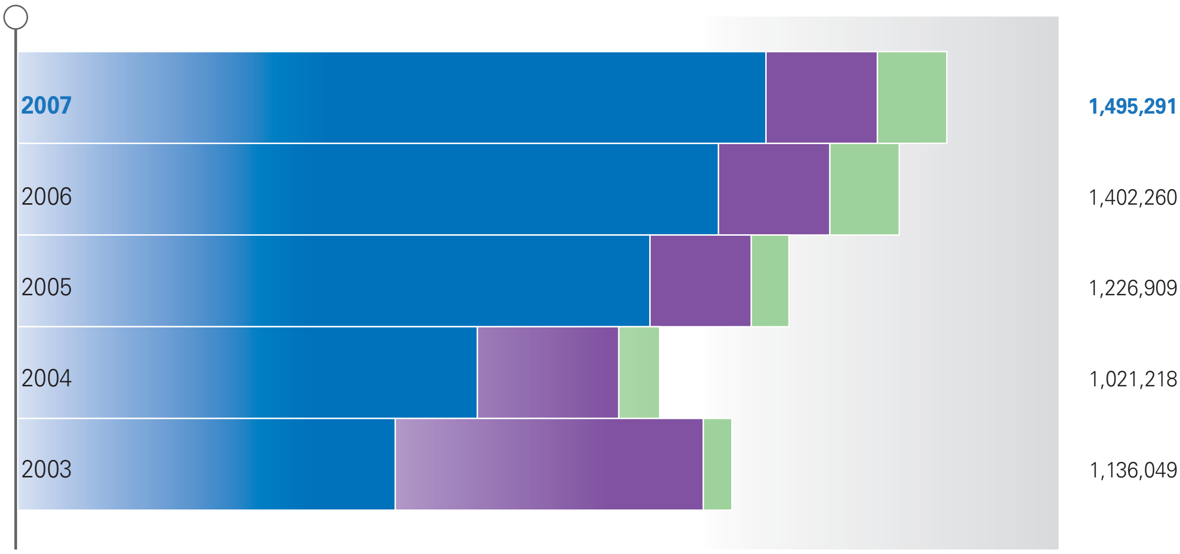
Key Financial Data	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total equity	**460,431**	379,524	329,804	298,007	299,884
Total assets	**1,500,463**	1,447,670	1,466,387	1,432,292	1,295,750
Net borrowings	**558,696**	551,511	567,484	549,886	355,952
Capital expenditure	**100,629**	86,841	82,824	248,617	249,942
Gearing ratio (net)(%)	**37.23%**	38.10%	38.70%	38.39%	27.47%
Finance costs over turnover (%)	**3.68%**	3.81%	3.72%	3.91%	1.91%
Inventory turnover days	**54**	50	64	67	57
Trade and bills receivable turnover days	**62**	63	66	77	68
Trade and bills payable turnover days	**60**	60	73	73	73

Sales Breakdown by Geographical Locations



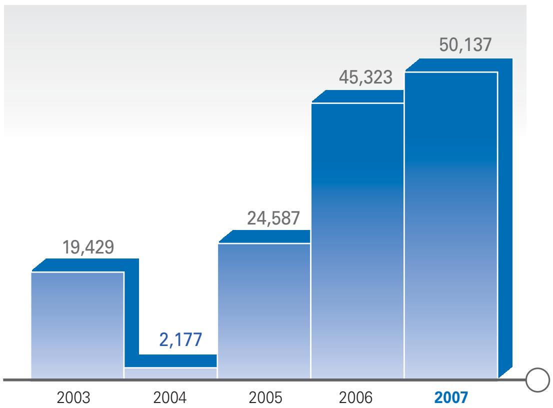
Sales Breakdown by Business Segments

(HK$'000)



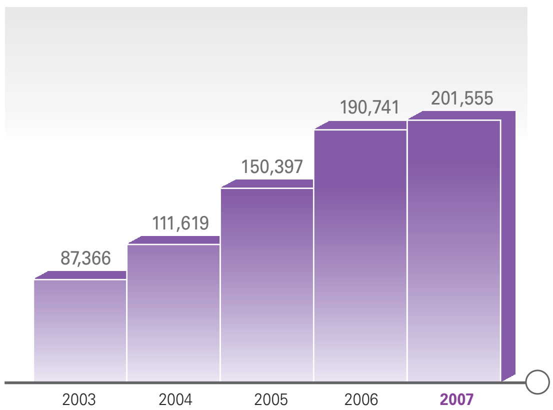
(HK$'000)	**2007**	2006	2005	2004	2003
Plastic injection and moulding	**1,131,878**	1,114,554	1,005,676	731,046	600,484
Assembling of electronic products	**225,506**	177,191	161,069	224,956	489,971
Mould design and fabrication	**137,907**	110,515	60,164	65,216	45,594

Profit Attributable to Equity Shareholders (HK$'000)

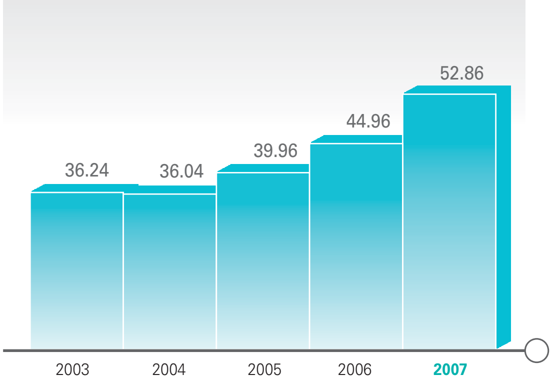


EBITDA (HK$'000)

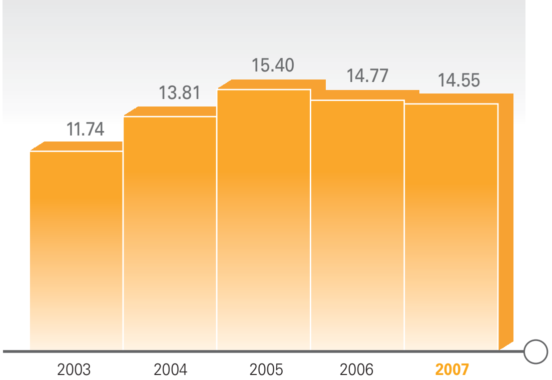
(Earnings before interest, tax, depreciation and amortisation)



Net Tangible Assets Per Share (HK cents)



Gross Profit Margin (%)



Chairman's Statement

Dear shareholders,

On behalf of the board ("Board") of directors ("Directors") of the Company, I have great pleasure in presenting the Annual Report of the Company, together with the consolidated financial statements of the Group for the financial year ended 31 July 2007.

FINANCIAL HIGHLIGHTS

Despite the increasingly challenging environment in the global markets, the Group continued to post a record high turnover of HK$1,495.29 million for the year under review, albeit at a slower growth rate compared with HK$1,402.26 million in the previous financial year.

Nonetheless, we managed to make a group profit before taxation of HK$58.31 million, representing an increase of 12.72% from HK$51.73 million in the previous financial year. At the same time, group profit attributable to shareholders rose 10.62% to HK$50.14 million, compared with HK$45.32 million in the previous financial year, despite of the unfavourable effects resulting from the volatile foreign exchange market, rising interest rates as well as expiry of certain tax incentive of the subsidiaries of the Company.

PROPOSED DIVIDENDS

No interim dividend was declared for the six months ended 31 January 2007; however, the Board is pleased to recommend a final dividend of HK1.0 cent per ordinary share (each "Share") for the year under review (2006: HK0.8 cents). Subject to the shareholders' approval at the forthcoming annual general meeting of the Company, the proposed dividend will be payable on or about 15 January 2008 to the shareholders whose names appear on the register of members of the Company on 14 December 2007.

BUSINESS REVIEW

The financial year under review saw the Group's three business segments charting further growth. To begin with, the *plastic injection and moulding* business segment delivered a turnover of HK$1,131.88 million, albeit a slightly muted growth of 1.55% over previous year's HK$1,114.55 million. However, the other two business segments of *assembling of electronic products* and *mould design and fabrication* achieved double-digit growth rates of 27.27% and 24.78% respectively during the year under review. While the former segment achieved a turnover of HK$225.51 million, the latter posted a record turnover of HK$137.91 million.

An interesting point to highlight is that the mould design and fabrication business segment has expanded its business by more than twice over the last five financial years, reflecting as much the fruition in the Group's business strategy of offering total integrated manufacturing solutions to our clientele as the Group's commitment to grow this high-margin business segment.

During the financial year under review, we witnessed an increasing number of requests from our clientele to provide start-to-end manufacturing services, from mould design to plastic injection and assembling. We believe that our competency in mould design and fabrication is one of the keys to developing the Group's competitive advantage in the increasingly competitive Electronic Manufacturing Solutions ("EMS") industry.

To this extend, we have invested further in the business segment of the Company, not only in terms of design and fabrication facilities, but also growing and training our team of engineers to boost our design and tooling capabilities.

Geographically, the Group still derived a large proportion of its revenues from mainly Japanese clients in the PRC and Hong Kong, which together grew at 1.03% and contributed 80.07% of the Group's turnover in the year under review, compared with 84.52% in the previous year. Conversely, this trend also implied the higher growth rates of businesses from clientele outside of the PRC and Hong Kong. The Group's turnover contributions from Europe, South East Asia and North Asia registered the strongest growth, at 48.24%, 44.48% and 35.54% respectively in the year under review, indicating the Group's success in diversifying its customer portfolio.

CORPORATE DEVELOPMENT

In line with our effort to enhance the Group's production facilities, we are pleased to update the shareholders on the completion of a new warehouse in Zhuhai and a factory in Qingdao. Catered to our growing clientele in Northern China, the approximately 27,000-square-meter plant boasts of having advanced injection machineries capability. We look forward to better serving our clients with our improved processes and capacity, which will ultimately sustain the Group's future growth.

Chairman's Statement

During the financial year under review, the Group had also increased its investment in Vietnam, raising its equity interest in VS Industry Vietnam Joint Stock Company (formerly known as VS Industry Vietnam Co., Ltd.) ("VS Vietnam") from 15% to 25%. The further equity investment amounted to US$1.66 million. The evident trend of many multi-national consumer electronics brand names setting up their presence in Vietnam is one of our rationales for venturing into Vietnam. Apart from that, the Group was attracted by the lower business cost environment and certain tax incentives offered by the local authority in Vietnam.

Meanwhile, we continued to improve the balance sheet, by reducing the Group's total bank borrowings for the year under review. The reduction in total borrowings effectively brought down the Group's net gearing ratio to 37.23%, from 38.10% in the previous year.

FUTURE PROSPECTS AND CHALLENGES

The Group has adopted a two-pronged marketing strategy: geographical diversification of customer portfolio and continual introduction of further value-added services. Our prospects will come from the Group's market development in Europe, North America and South East Asia, by looking for new clientele and tapping into the ample business opportunities there, as well as the increased businesses from existing customers for our wide-ranging integrated manufacturing services.

However, we foresee greater competition in the PRC going forward. Nonetheless, the Group is well prepared with strategies for the competition; for instance, we will continue to focus on product mix improvement as well as quality of our products and services, thus ultimately building this as our competitive edge.

We are also mindful of the pressure resulting from the Renminbi ("RMB") appreciation. We are not unfamiliar with the foreign exchange market. During the financial year under review, the Group had certain forward exchange contract and foreign currency borrowings that were closely matched with the foreign currency collections, which had softened the foreign currency exposure of the Company.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board and management teams, I would like to take this opportunity to express my sincere thanks and appreciation to our shareholders, valued customers, suppliers, all employees of the Group, business associates, financial institutions, various government authorities and agencies for their unwavering support and cooperation for yet another successful year.

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

INDUSTRY OVERVIEW

As a general rule, the growth rate recorded by the EMS sector is usually in tandem with that of the consumer electronics market across the globe. According to market intelligence firm, iSuppli, the consumer electronics market in the United States of America ("USA") had slowed down in 2006, where frenzied demand for new consumer electronics products over the past four years slowed by about one-third to record merely 9% growth in 2006.

The general slow down in this segment was attributed, among others, to higher interest rates and longer product replacement cycles amongst consumers. The weakened demand had a direct impact on EMS players worldwide, with manufacturers adopting a cautious and/or staggered approach in undertaking further production of consumer electronics.

Moreover, during the year under review, the industry had to contend with rising costs of raw materials such as plastic resin, which was the consequential effect of escalating prices of crude oil globally. In addition, the level of competition in the PRC became keener, with the emergence of new players in the industry. Coupled with slower demand and rising costs, the EMS sector was indeed a challenging one in the year under review.

FINANCIAL REVIEW

Turnover

Despite the less-than-sanguine business environment, the Group managed to achieve a record turnover of HK$1,495.29 million (2006: HK$1,402.26 million) for the financial year ended 31 July 2007, representing an increase of 6.63% over the previous year's.

– *Plastic Injection and Moulding*

  During the financial year under review, this business segment managed a marginal growth rate of 1.55% to record a turnover of HK$1,131.88 million (2006: HK$1,114.55 million), contributing 75.70% of the Group's turnover (2006: 79.48%).

  The slower growth of this segment was due to the increased competition in the EMS industry in the PRC. The Group experienced some reduction in orders from a number of existing customers. However, the Group continued to receive support from our core customers because of our total commitment spirit and strong track records.

  In terms of revenue contribution from the Group's three manufacturing locations of Zhuhai, Qingdao and Shenzhen, the Zhuhai operations remained as the top contributor in this business segment, which posted HK$769.46 million for the year under review (2006: HK$722.36 million), representing an increase of 6.52% over the previous year's.

– *Assembling of Electronic Products*

This business segment continued to improve for the financial year under review, grew by 27.27% to HK$225.51 million (2006: HK$177.19 million). In terms of percentage contribution to the Group's total turnover, the segment improved as well to 15.08% (2006: 12.64%).

The growth during the year under review was spurred mainly by the increased orders from existing customers. As a result, sales from processing of printed circuit boards of electronic products using surface mounting technologies ("SMT") improved to HK$41.95 million for the year under review, representing a 21.74% increase as compared to the previous year's HK$34.46 million.

– *Mould Design and Fabrication*

The mould design and fabrication business segment again achieved another record level of sales for the financial year under review; attaining a year-on-year growth of 24.78% to HK$137.91 million (2006: HK$110.52 million).

The Group continued to develop this business segment over the years by building its competitive edge in delivering quality injection moulds within shorter production time. The competency not only attracted more orders from existing and new customers, but was also conducive to the increase in business volume for the Group's plastic injection and moulding segment.

As a result of the faster growth in this segment, it accounted for 9.22% of the Group's turnover as compared to 7.88% in the previous year.

Gross Profit and Segment Results

During the financial year under review, the Group's gross profit grew 5.06% to HK$217.54 million (2006: HK$207.06 million) while the gross profit margin dropped marginally to 14.55% (2006: 14.77%).

For the year under review, the percentage gross profit contributions from the three business segments were 77.50% (Plastic Injection and Moulding), 3.20% (Assembling of Electronic Products) and 19.30% (Mould Design and Fabrication), as compared with 81.51%, 2.76%, and 15.73% respectively in the previous year.

– *Plastic Injection and Moulding*

In line with the trend of the industry, the Group's segmental gross profit margin for plastic injection and moulding was under downward pressure, achieving 14.89% margin as compared with the previous year's 15.14%. The lower margin was mainly due to the increase in raw material and labour costs. However, the benefits of economies of scale from the higher utilization rate of the Group's production facilities and the stringent cost control measures had moderated the pressure of the overall increase in production cost for the financial year under review.

The segment contributed HK$130.43 million for the financial year under review (2006: HK$129.30 million).

– *Assembling of Electronic Products*

Despite the competitive market condition and the upward cost pressure for the components and labour cost, this business segment had achieved a growth rate for turnover and gross profit of 27.27% and 21.77% respectively. The increases in turnover and gross profit were mainly attributable to the additional number of orders received during the year under review.

The segment contributed HK$2.30 million for the financial year under review (2006: HK$1.57 million).

– *Mould Design and Fabrication*

This business segment recorded a gross profit of HK$42.00 million (2006: HK$32.57 million) and had improved its gross profit margin to 30.45% (2006: 29.47%), despite the rising labour costs.

The Group's competitive edge of being able to design quality moulds with prompt delivery had allowed the Group to not only maintain its selling price but also to solicit new customers from the region.

Other Net Income

During the financial year under review, the Group had generated other net income of HK$16.51 million (2006: HK$9.94 million), comprising mainly interest income from deposits with banks and rental income of HK$6.94 million and HK$9.26 million respectively.

Distribution and Administrative Expenses

The distribution expenses for the financial year under review were HK$32.34 million, an increase of 14.36% or HK$4.06 million, over HK$28.28 million in the previous year. The increase of distribution expenses was principally due to the increase in transportation costs as a results of specific requests by certain overseas customers. The extent of the increase was however mitigated by a reversal of impairment losses for doubtful debts during the year under review.

The administrative expenses were HK$83.55 million, an increased of HK$5.78 million which was mainly due to net foreign currency exchange losses.

Other Operating Expenses

Other operating expenses for the year stood at HK$120,000 (2006: HK$323,000), which represented the impairment losses for interests in associates.

Finance Costs

Finance costs for the financial year under review amounted to HK$54.96 million (2006: HK$53.45 million), representing an increase of 2.82% over the previous year's, despite a reduction of total borrowings of 5.98% during the financial year. The increase in costs was due to the rising borrowing costs of the Group which averaged at 7.1% as compared to 6.0% in the previous year.

Share of Losses of Associates

During the financial year under review, the Group's share of losses of the associates reduced to HK$4.78 million as compared to the previous year's HK$5.45 million.

The losses were mainly incurred by Wako VS Nano Technologies (Zhuhai) Co., Ltd. ("Wako VS Zhuhai"), a company which is principally engaged in the manufacturing and selling of plastic parts and components using spray painting technology. As at 31 July 2007, the impairment of the investment in Wako VS Zhuhai was fully provided for.

During the year under review, the Group's share of losses in VS Vietnam, an associate company which was in its first year of operation, was HK$0.62 million.

Income Tax

Due to the expiry of certain tax incentives for the subsidiary companies during the year, the Group's effective tax rate had increased from 12.16% to 14.78%.

Profit Attributable to Shareholders

Profit attributable to shareholders for the financial year ended 31 July 2007 was HK$50.14 million (2006: HK$45.32 million), representing an increase of 10.62%.

Based on the weighted average number of 854,349,619 ordinary shares, the basic earnings per share for the year under review was HK5.87 cents (2006: HK5.48 cents). The diluted earnings per share, after adjusting for the potential dilutive effect from the existing share option scheme, was HK5.83 cents (2006: HK5.45 cents).

PROSPECTS

It is expected that the competitive environment of the EMS industry will continue to prevail in the coming year. The Group's operations in the PRC will likely to face rising operating and borrowing costs, foreign exchange fluctuations, and gradual reduction in export tax rebates. In addition, some of the subsidiaries will cease to enjoy certain tax incentives in the PRC.

The Directors are aware of these challenges and have taken the following steps to circumvent them:

- To strengthen the competitive edge in the Group's mould design and fabrication business by investing further resources to expand the Group's design and fabrication facilities as well as developing a stronger team of trained engineers;

- To actively develop and market the Group's fully integrated EMS services; and

- To restructure the Group's bank loan facilities in RMB to foreign currencies to hedge against the Group's currency and interest rate risk exposures.

Notwithstanding the challenges, we remain optimistic of the Group's performance in the next financial year. For one, we expect continued growth momentum from the overseas segment; the other bright spot will come from the better performance from the new facilities in Qingdao and Vietnam, which are only entering into their second year of operation.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, the Group financed its operations and investing activities mainly with internally generated cash flow and banking facilities in Hong Kong and the PRC.

As at 31 July 2007, the Group had cash and bank deposits of HK$186.78 million (2006: HK$241.36 million), of which HK$65.53 million (2006: HK$61.33 million) was pledged to the banks for the facilities granted to the Group. The cash and bank deposits were denominated in United States ("US") dollars 65.55%, RMB 17.17%, and Hong Kong dollars 17.28%.

As at 31 July 2007, the Group had outstanding interest-bearing borrowings of HK$745.47 million (2006: HK$792.87 million), mainly consisting of bank borrowings of HK$713.93 million (2006: HK$745.20 million) and a loan from a substantial shareholder of HK$24.57 million (2006: HK$29.27 million). The total borrowings were denominated in RMB 55.60%, US dollars 36.65%, and Hong Kong dollars 7.75%, and the maturity profile is as follows:

	As at 31 July 2007		As at 31 July 2006	
Repayable	**HK$ million**	**%**	HK$ million	%
Within one year	**532.24**	**71.40**	524.72	66.18
After one year but within two years	**36.07**	**4.84**	121.01	15.26
After two years but within five years	**177.16**	**23.76**	142.26	17.94
After five years	**–**	**–**	4.88	0.62
Total borrowing	**745.47**	**100.00**	792.87	100.00
Cash and bank deposits	**(186.78)**		(241.36)	
Net borrowings	**558.69**		551.51	

The Group's gearing ratios improved during the financial year under review; the total net interest-bearing borrowings of HK$558.69 million were 37.23% and 121.34% of total assets and total shareholders' funds respectively (2006: 38.10% and 145.32% respectively). The improvement was in line with the Group's objectives of improving its gearing ratio and minimizing its financing costs.

As at 31 July 2007, the Group's net current liabilities stood at HK$148.73 million (2006: HK$112.14 million). This was mainly due to the increase in short term bank borrowings as a result of the conversion of certain long-term bank borrowings to short term bank borrowings during the year under review. As at the date of this report, the Group has undrawn long-term bank borrowings of up to HK$47.00 million for working capital purposes. The Board is confident that the Group has sufficient operation cash flow to support its working capital requirements and future capital commitments. Also, the Board aims not only to improve the Group's financial position over time, but also put in place a financing strategy that will not hinder the Group's expansion drive and at the same time maintain the financial leverage at a comfortable level.

CAPITAL STRUCTURE

As at 31 July 2007, the Group's shareholders' fund stood at HK$456.35 million (2006: HK$374.41 million), an increase of 21.88% due to the retained profits and the increase in foreign exchange translation account. Total assets of the Group amounted to HK$1,500.46 million (2006: HK$1,447.67 million), 53.33% of which were fixed assets (2006: 51.51%).

COMMITMENTS AND CONTINGENT LIABILITY

As at 31 July 2007, the Group's future capital expenditure, for which it had contracted for and authorised but not yet contracted, amounted to approximately HK$11.37 million (2006: HK$35.70 million); while the operating lease commitment was HK$2.31 million (2006: HK$2.36 million).

The Group does not have material contingent liabilities as at 31 July 2007.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in RMB or US dollars. The Group's policy is to match the currency mix of its loan portfolio with that of its revenue. During the year under review, the Group had obtained a long-term banking facility equivalent to HK$260.00 million which was dominated in Hong Kong dollars and US dollars.

During the financial year under review, the Group registered net foreign exchange losses of HK$7.96 million (2006: HK$0.96 million), as a result of the weakening of US dollars. The management will continue to monitor the foreign currency risk exposure to ensure that it is kept at an acceptable level.

In view of the foreign currency risk exposure, the Group has entered into certain forward exchange contracts with aggregate notional contract amounts of US$62,000,000 to hedge against the trade receivables denominated in US dollars.

As at 31 July 2007, the notional amounts of the outstanding forward exchange contracts were US$42,500,000. The outstanding forward exchange contracts will expire within one year. The aggregate fair value of the outstanding forward exchange contracts amounted to HK$5,737,000 as at 31 July 2007 and has been recognised as derivative financial instruments. The net gain on forward foreign exchange contracts and changes in fair value of the forward exchange contracts were recognised in the income statements (see note 6(b)).

MATERIAL ACQUISITIONS AND DISPOSALS

During the financial year under review, the Group increased its equity stake in its Vietnam operations from 15.03% to 25.00%, with a further investment of US$1.66 million by V.S. Holding Vietnam Limited, a wholly owned subsidiary of the Company, in VS Vietnam. As at 31 July 2007, the total investment in VS Vietnam stood at US$2.55 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2007, the Group's staff strength stood at 8,166 employees (2006: 7,864), while 1,110 people were hired under a special processing arrangement with independent third parties. During the year under review, the Group did not make significant changes to the Group's remuneration policies for its employees.

Employees' cost of the Group (excluding Directors' emoluments and wages paid to employees employed under the processing arrangement with the Providers) for the financial year under review amounted to HK$184.25 million (2006: HK173.27 million). The increase in employees' cost was mainly due to rise in remuneration as a result of increase in minimum wages imposed by the local authorities of the PRC. The Group's remuneration package is reviewed annually and appropriate adjustments are made with reference to prevailing conditions of the human resource market and the general outlook of the economy. In addition, the Group's employees are rewarded in tandem with their performance and experience. The Group has increased its allocations for the improvement of employees' technical knowledge, welfare and wellbeing, so as to attract and retain quality staff dedicated towards supporting the future growth of the Group.

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

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. BEH Kim Ling, aged 49, is the chairman of the Company. Mr. Beh started his career in 1976 as a plastic moulding technician in Singapore. Three years later, Mr. Beh established VS Industry Pte Ltd. which was principally involved in the manufacturing of cassettes and video tapes parts in Singapore. In 1982, Mr. Beh, together with his wife, relocated the entire business operations of VS Industry Pte Ltd. from Singapore to Johor Bahru, Malaysia and set up V.S. Industry Berhad ("VS Berhad") in Johor Bahru, Malaysia. Mr. Beh is the executive chairman of VS Berhad since then. With the vast experience in the plastic moulding injection business gained in Singapore and Malaysia, Mr. Beh founded the Group's business in the PRC in 1997.

Mr. Beh received Honorary Doctorate from the Honolulu University in Hawaii, the United States of America in November 2003. Currently, Mr. Beh focuses mainly on business development and formulation of the overall business strategy of the Group.

Mr. Beh is the husband of Madam Gan Chu Cheng and the brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia.

Mr. GAN Sem Yam, aged 51, is the managing Director. After completing his secondary education in 1975, Mr. Gan joined one of the shipyards in Singapore as an electrician. Mr. Gan joined VS Berhad in 1982 and was promoted to general manager and director of VS Berhad in February 1988.

Mr. Gan is mainly responsible for the operations and daily management of the Group.

Mr. Gan is the brother of Madam Gan Chu Cheng and Mr. Gan Tiong Sia, and the brother-in-law of Mr. Beh Kim Ling.

Madam GAN Chu Cheng, aged 53, is the finance Director. Madam Gan, together with her husband, Mr. Beh Kim Ling, established VS Berhad in 1982. Madam Gan has accumulated more than 20 years experience in the plastic injection and moulding business. Madam Gan has headed several departments including production planning, procurement and finance departments in both VS Berhad and the Group.

At present, Madam Gan is mainly responsible for the financial management of the Group.

Madam Gan is the wife of Mr. Beh Kim Ling and the sister of Mr. Gan Sem Yam and Mr. Gan Tiong Sia.

Mr. ZHANG Pei Yu, aged 69, has been with the Group since October 2000. Prior to joining the Group, Mr. Zhang held various managerial positions with a number of large state-owned enterprises and government bureaux in the PRC, including Shenyang Auto Mobile Manufacturing Factory, Shenyang Light Industry Bureau, Planning Economy Committee of Shenyang and Shenyang Jinbei Company. Mr. Zhang has gained substantial experience in corporate management and business development in the PRC.

Mr. Zhang is principally responsible for the corporate affairs of the Group in the PRC.

Directors and Senior Management Profile

NON-EXECUTIVE DIRECTORS

Mr. GAN Tiong Sia, aged 47, has been a member of the Board since year 2001. After graduation from secondary school, Mr. Gan joined VS Berhad as a management trainee. Mr. Gan was subsequently promoted as the marketing manager of VS Berhad in 1986 and became a director of VS Berhad in February 1988.

Mr. Gan is the brother of Madam Gan Chu Cheng and Mr. Gan Sem Yam, and the brother-in-law of Mr. Beh Kim Ling.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DIONG Tai Pew, aged 56, was appointed as the independent non-executive Director in 2002. Mr. Diong graduated with a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. Mr. Diong is a fellow member of The Chartered Association of Certified Accountants in the United Kingdom and Malaysian Institute of Taxation in Malaysia. Mr. Diong is also a member of Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Diong has more than 25 years of experience in audit and investigation work, taxation, merger and acquisition as well as business development. Mr. Diong is the principal partner of UHY Diong, an accounting and consulting group in Singapore and Malaysia. Mr. Diong is also an independent non-executive director of Toyochem Corporation Berhad, a company listed on the second board of Bursa Malaysia.

Mr. CHEUNG Kwan Hung, Anthony, aged 56, has been with the Board since year 2002. Mr. Cheung is a member of The Chartered Association of Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Cheung has long served as an investment banker and has also many years of management experience in industrial and commercial establishments. Currently, Mr. Cheung is also a director of NewOcean Green Energy Holdings Limited, Wing Shing International Holdings Limited and Golden Dragon Group (Holdings) Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. TANG Sim Cheow, aged 48, was appointed as an independent non-executive Director on 30 September 2004. Mr. Tang graduated from the University of Malaya with a Bachelor of Accounting in 1984 and is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, and a fellow member of the Malaysian Institute of Taxation in Malaysia. Mr. Tang joined KPMG Kuala Lumpur upon graduation and was promoted to tax manager in 1988. In 1992, Mr. Tang was seconded to KPMG Johor Bahru to head the tax practice of the Johor Bahru Branch and was promoted to tax director in 1995. In 2000, Mr. Tang started his own accounting firm under the name S C Tang & Associates.

Mr. Tang is currently an independent non-executive director of VS Berhad, a substantial Shareholder of the Company which is listed on the main board of Bursa Malaysia.

Directors and Senior Management Profile

SENIOR MANAGEMENT OF THE GROUP

Mr. LUI Chong Huat, aged 38, is the general manager of V.S. Technology Industry Park (Zhuhai) Co., Ltd. (" VS Zhuhai") and V.S. Industry (Zhuhai) Co., Ltd. ("VSI (Zhuhai)"). Mr. Lui joined the Group in August 1997 and held positions as senior quality control manager, ISO manager representative and senior production manager. Mr. Lui has attended various training courses and programmes on quality management and has gained over 15 years experience in the plastic injection and moulding business.

Mr. LO Boon Wah, aged 38, is the general manager of Haivs Industry (Qingdao) Co., Ltd. ("Haivs Qingdao") and Qingdao GS Electronics Plastic Co., Ltd. ("Qingdao GS"). Mr. Lo, who joined the Group in July 2001, holds a Bachelor of Business Administration from the University of Utara Malaysia in Malaysia and has over 10 years experience in the management and administrative functions of manufacturing corporations.

Mr. LIEW San Kim, aged 43, is the general manager of V.S. Corporation (Hong Kong) Co., Limited ("VSHK"). Prior to joining the group in May 2005, Mr. Liew worked for a number of large corporations including Thomas Consumer Electronics (M) Sdn. Bhd., Avnet Industries (M) Sdn. Bhd., Santronics (M) Sdn. Bhd. and Amcor Fibre Packaging (M) Sdn. Bhd..

Mr. HISAO Hadachi, aged 48, is the general manager of VSA Holding Hong Kong Co., Limited ("VSA(HK)") and VSA Electronics Technology (Zhuhai) Co., Ltd. ("VSAZH"), Mr. Hadachi first joined the Group as the director of VSA(HK) in February 2003 until present and is currently responsible for the operations, technical aspects and general affairs of VSA(HK) and VSAZH. Mr. Hadachi started his career with Andes Electric Co., Ltd. ("Andes") and has more than 25 years experience in manufacturing industry.

Mr. CHEONG Wai Mun, aged 34, joined the Group as internal audit manager in March 2007. Mr. Cheong is a fellow member of The Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Prior to joining the Group, Mr. Cheong has gained his experience in the internal audit function of a number of public listed companies in Malaysia.

Mr. YEN Chi Vui, William, aged 33, is the corporate finance manager of the group as well as the finance manager of VSA(HK) and VSAZH. Mr. Yen is a member of The Chartered Association of Certified Accountants in the United Kingdom and a member of Malaysian Institute of Accountants in Malaysia. Prior to joining the Group, Mr. Yen was attached to "Big 4" audit firms and large public listing companies in Malaysia. Mr. Yen has gained more than 10 years experience in accounting and finance related fields in various industries in Malaysia and China.

COMPANY SECRETARY/QUALIFIED ACCOUNTANT

Mr. GOH Thian Song, aged 40, is the financial controller of the Group. Mr. Goh is a fellow member of The Chartered Association of Certified Accountants in the United Kingdom and a member of Hong Kong Institute of Certified Public Accountants. In July 2001, Mr. Goh joined the Group as the finance manager of Haivs Qingdao and Qingdao GS and was promoted to the present position in April 2005. Mr. Goh was subsequently appointed as the secretary of the Company on 15 June 2005. Mr. Goh has gained over 15 years of experiences in relation to accounting, auditing and financing in China and Malaysia. Mr. Goh is also the qualified accountant of the Group.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance and endeavours in following the code provisions ("Code Provisions") of the "Code on Corporate Governance Practices" ("Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange. The Board considers such commitment is essential for the growth of the Group and for maximising the interest of the Shareholders. The Company regularly reviews its corporate governance practices to ensure that the latest development in corporate governance can be followed and observed.

CORPORATE GOVERNANCE PRACTICES

Throughout the financial year under review, the Company had complied with the Code Provisions, save for the deviations from Code Provisions A.2.1.

According to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Beh Kim Ling and Mr. Gan Sem Yam are the chairman and managing Director of the Company respectively. Mr. Beh Kim Ling, in addition to his duties as the chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes a deviation from Code Provision A.2.1 as part of his duties overlap with those of the managing Director, who is in practice the chief executive officer. As the founder of the Group, Mr. Beh Kim Ling has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company, having made specific enquiry of all Directors and the Directors have confirmed that they have complied with the New Code and Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2007.

BOARD OF DIRECTORS

The Board is currently composed of four executive Directors namely Mr. Beh Kim Ling as the chairman, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Zhang Pei Yu; one non-executive Director, Mr. Gan Tiong Sia; and three independent non-executive Directors namely Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow. The biographical details of the Directors are set out under Directors and Senior Management Profile of this annual report. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. During the financial year ended 31 July 2007, the Board has convened nine meetings at which, among other things, the following activities were conducted:

(1) approved the annual report for the financial year ended 31 July 2006 and matters to be considered at the 2006 annual general meeting;

(2) approved the interim results for the six months ended 31 January 2007;

(3) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2008; and

(4) reviewed the performance and financial position of the Group.

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

Details of the Directors' attendance records at the board meetings during the financial year ended 31 July 2007 are as follows:

Executive Directors	**Attendance**
Mr. Beh Kim Ling (Chairman)	9/9
Mr. Gan Sem Yam	9/9
Madam Gan Chu Cheng	9/9
Mr. Zhang Pei Yu	9/9
Non-executive Director	
Mr. Gan Tiong Sia	9/9
Independent non-executive Directors	
Mr. Diong Tai Pew	9/9
Mr. Cheung Kwan Hung, Anthony	9/9
Mr. Tang Sim Cheow	9/9

Whilst the Board as a whole is to determine the corporate strategies and overall strategy policies, the executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

Save as disclosed under "Directors and Senior Management Profile" of this annual report, there is no other relationship (whether financial, business, family or other material/relevant relationships) among the members of the Board.

The Company has received from each of the independent non-executive Directors a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new directors has been delegated to the Chairman and other executive Directors. Their work includes reviewing regularly the need to appoint additional directors and formulating the policy for nominating suitable candidates as additional directors, such as candidates with appropriate professional knowledge and industry experiences. The Board will then consider the appointment of the candidates nominated by them as directors of the Company. Among the nine Board meetings convened during the financial year ended 31 July 2007, one of those included discussion on the appointment of Directors and all members of the Board were present in that Board meeting.

REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") is currently comprised of three members, two independent non-executive Directors, Mr. Cheung Kwan Hung, Anthony (chairman) and Mr. Diong Tai Pew, and one executive Director, Mr. Beh Kim Ling. The Remuneration committee was established by the Board on 14 February 2006 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions. The function of the Remuneration Committee is to make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management.

During the financial year ended 31 July 2007, the Remuneration Committee met once on 21 September 2006 to review and approve the remuneration structure of the Directors and senior management of the Company as well as discretionary bonus of the executive Directors for the financial year ended 31 July 2006. The meeting was attended by all the Remuneration Committee members.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Diong Tai Pew (chairman), Mr. Cheung Kwan Hung, Anthony and Mr Tang Sim Cheow. The original terms of reference of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. Pursuant to a resolution passed by Board at its meeting held on 29 March 2005, a new set of terms of reference of the Audit Committee which were prepared in accordance with and with reference to the Code Provisions were adopted in replacement of the original terms of reference and the new terms of reference came into effect on 29 March 2005.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the financial year under review, the Audit Committee has convened two meetings and conducted the following activities:

(1) reviewed annual and interim reports of the Company;

(2) reviewed the report of internal audit department, internal controls system and financial matters of the Group in pursuance of the terms of reference;

(3) reviewed the audit findings of the external auditors of the Company;

(4) made recommendation to the Board on the re-appointment of the external auditors; and

(5) reviewed all ongoing connected transactions of the Company.

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2007 are as follows:

	Attendance
Mr. Diong Tai Pew	2/2
Mr. Cheung Kwan Hung, Anthony	2/2
Mr. Tang Sim Cheow	2/2

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

AUDITORS' REMUNERATION

During the financial year ended 31 July 2007, the nature of the audit and non-audit services provided by KPMG, the auditors of the Company, and the relevant fees paid by the Company for such services are as follows:

Services rendered	**Fee paid/payable**
	HK$
Audit services	1,720,000
Non-audit services, including interim review of the financial statements for the six months ended 31 January 2007	330,000
	2,050,000

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the financial year ended 31 July 2007, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The statement of the external auditors about their reporting responsibilities on the financial statements are set out in the Auditors' Report to the Shareholders on page 43 of this annual report of the Company.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control. During the financial year under review, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee. There was no significant incidence of failure in connection with the financial, operational and compliance control during the financial year ended 31 July 2007.

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the financial year ended 31 July 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and mould design and fabrication.

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year is set out in note 13 to the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	42%	–
Five largest customers in aggregate	63%	–
The largest supplier	–	8%
Five largest suppliers in aggregate	–	30%

At no time during the financial year had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the financial year ended 31 July 2007 and the state of the Company's and the Group's affairs as at 31 July 2007 are set out in the audited financial statements on pages 44 to 110.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK1.0 cent (2006: HK0.8 cents) per Share in respect of the financial year ended 31 July 2007, to the Shareholders whose names appear on the register of members of the Company on 14 December 2007. The proposed dividend will be paid on or about 15 January 2008 subject to approval thereof at the forthcoming annual general meeting ("Annual General Meeting") of the Company to be held on 14 December 2007.

FIXED ASSETS

Details of movements in fixed assets of the Company and the Group during the financial year are set out in note 14 to the audited financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 27 to the audited financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the financial year are set out in note 28 to the audited financial statements.

DISTRIBUTABLE RESERVES

As at 31 July 2007, the Company's reserves available for distribution calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to HK$230,547,000 (2006 (restated): HK$237,493,000). These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the financial year and up to the date of this report were:–

Executive Directors

Beh Kim Ling
Gan Sem Yam
Gan Chu Cheng
Zhang Pei Yu

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Cheung Kwan Hung, Anthony
Tang Sim Cheow

In accordance with article 108(A) of the Company's articles of association, not less than one-third of the Directors for the time being should retire from office by rotation at each annual general meeting. Accordingly, Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow will retire from the Board by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election at such meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Beh Kim Ling, Gan Sem Yam, Zhang Pei Yu and Madam Gan Chu Cheng, being all the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 1 August 2001, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party to the other.

Mr. Gan Tiong Sia is currently appointed as a non-executive Director and Messrs. Diong Tai Pew, Cheung Kwan Hung, Anthony and Tang Sim Cheow are currently appointed as independent non-executive Directors. The appointments of Messrs. Gan Tiong Sia, Diong Tai Pew, Cheung Kwan Hung, Anthony and Tang Sim Cheow are for a term of one year renewable automatically for successive terms of one year until terminated by not less than two months' notice in writing served by either party to the other.

No Director proposed for re-election at the Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 July 2007, 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 (as defined in Part XV of the Securities and Futures Ordinance ("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 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)	4.52%
	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)	–

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (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 Sem Yam	The Company	Beneficial owner	39,200,775 Shares (L) (Note 3)	4.52%
	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)	–
Gan Chu Cheng	The Company	Beneficial owner	31,000,775 Shares (L) (Note 3)	3.58%
	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	2,000 Shares (L) (Note 3)	0.00%
Gan Tiong Sia	The Company	Beneficial owner	25,400,775 Shares (L) (Note 3)	2.93%
	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 3)	0.06%
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	500,000 Shares (L) (Note 3)	0.06%

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. On 12 July 2005, share options were granted by the Company under its share option scheme to, among other eligible participants, the Directors. All these share options were exercised during the financial year ended 31 July 2007.

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year ended 31 July 2007 was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 32 to the audited financial statements, no contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 July 2007, 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 of the Company as recorded in the register required to be kept under section 336 of the SF Ordinance:

Name of Shareholder	**Number of Shares held** (Note 1)	**Nature of interest/ Capacity**	**Approximate percentage of interest**
VS Berhad	371,996,900 (L)	Beneficial owner	42.91%
Inabata Sangyo (HK) Limited	82,000,000 (L)	Beneficial owner	9.46%
Atlantis Investment Management Ltd.	48,156,000 (L)	Investment manager	5.55%

Notes:

1. The letter "L" represents the person's interest in the Shares.

SHARE OPTION SCHEME

The Company operates a share option scheme ("Share Option Scheme"), which was adopted on 20 January 2002, for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. The Share Option Scheme became effective on 8 February 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Details of the Share Option Scheme are set out in note 25 to the audited financial statements.

Eligible participants of the Share Option Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) (for so long as VS Berhad remains as a controlling Shareholder (as defined in the Listing Rules)) any employee or proposed employee (whether full time or part time) of VS Berhad, any of its subsidiaries or any entity in which VS Berhad or any of its subsidiaries holds an equity interest, including any executive director of VS Berhad, any of such subsidiaries or any entity in which VS Berhad or any of its subsidiaries holds an equity interest;

(viii) (for so long as VS Berhad remains as a controlling Shareholder) any non-executive directors (including independent non-executive directors) of VS Berhad, any of its subsidiaries or any entity in which VS Berhad or any of its subsidiaries holds an equity interest; and

(ix) any other group or classes of participants from time to time determined by the Board as having contributed or may contribute by way of joint venture and business alliances to the development and growth of the Group.

SHARE OPTION SCHEME (CONTINUED)

As at the date of this report, the total number of Shares available for issue, save for those granted but yet to be exercised, under the Share Option Scheme is 2,500, which representing approximately 0.0003% of the issued share capital of the Company as at the date of this report. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive of the Company or substantial Shareholder, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial Shareholder or an independent non-executive Director, or to any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:–

(i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

(iii) the nominal value of the Shares.

SHARE OPTION SCHEME (CONTINUED)

The following table discloses details of share options held by the grantees and movements in such holdings during the financial year ended 31 July 2007:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2006	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31 July 2007
Directors									
Beh Kim Ling	12 July 2005	12 July 2005 to 12 July 2007	0.18	0.33	2,050,000	(2,050,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.33	2,050,000	(2,050,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.33	2,050,000	(2,050,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.33	2,050,000	(2,050,000)	–	–	–
Gan Sem Yam	12 July 2005	12 July 2005 to 12 July 2007	0.18	0.285	2,050,000	(2,050,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.285	2,050,000	(2,050,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.285	2,050,000	(2,050,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.285	2,050,000	(2,050,000)	–	–	–
Gan Chu Cheng	12 July 2005	12 July 2005 to 12 July 2007	0.18	N/A	–	–	–	–	–
		25 November 2005 to 12 July 2007	0.18	N/A	–	–	–	–	–
		10 April 2006 to 12 July 2007	0.18	N/A	–	–	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.305	2,050,000	(2,050,000)	–	–	–
Zhang Pei Yu	12 July 2005	12 July 2005 to 12 July 2007	0.18	N/A	–	–	–	–	–
		25 November 2005 to 12 July 2007	0.18	N/A	–	–	–	–	–
		10 April 2006 to 12 July 2007	0.18	N/A	–	–	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.345	625,000	(625,000)	–	–	–
Gan Tiong Sia	12 July 2005	12 July 2005 to 12 July 2007	0.18	0.295	500,000	(500,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.295	500,000	(500,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.295	500,000	(500,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.295	500,000	(500,000)	–	–	–

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2006	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31 July 2007
Diong Tai Pew	12 July 2005	12 July 2005 to 12 July 2007	0.18	0.265	125,000	(125,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.265	125,000	(125,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.265	125,000	(125,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.265	125,000	(125,000)	–	–	–
Cheung Kwan Hung, Anthony	12 July 2005	12 July 2005 to 12 July 2007	0.18	0.385	125,000	(125,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.385	125,000	(125,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.385	125,000	(125,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.385	125,000	(125,000)	–	–	–
Tang Sim Cheow	12 July 2005	12 July 2005 to 12 July 2007	0.18	0.295	75,000	(75,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.295	75,000	(75,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.295	75,000	(75,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.295	75,000	(75,000)	–	–	–
					22,375,000	(22,375,000)	–	–	–
Other employees		12 July 2005 to 12 July 2007	0.18	0.295	234,000	(234,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.307	294,000	(294,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.321	588,000	(588,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.356	3,770,000	(3,770,000)	–	–	–
					4,886,000	(4,886,000)	–	–	–
Employees of VS Berhad		12 July 2005 to 12 July 2007	0.18	0.34	125,000	(125,000)	–	–	–
		25 November 2005 to 12 July 2007	0.18	0.34	125,000	(125,000)	–	–	–
		10 April 2006 to 12 July 2007	0.18	0.34	125,000	(125,000)	–	–	–
		23 August 2006 to 12 July 2007	0.18	0.34	125,000	(125,000)	–	–	–
					500,000	(500,000)	–	–	–
					27,761,000	(27,761,000)	–	–	–

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The closing price of the Shares immediately before 12 July 2005, being 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).

3. There were no share options being cancelled during the financial year ended 31 July 2007.

The share options granted were fully vested at the date of grant.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the financial year ended 31 July 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the financial year ended 31 July 2007 are set out in note 32 to the audited financial statements.

The Group had entered into the following connected transactions and continuing connected transactions during the financial year ended 31 July 2007, details of which are required to be disclosed in this report pursuant to Chapter 14A of the Listing Rules:–

(i) Continuing connected transactions with Sumitronics Hong Kong Ltd. ("STX")

On 8 August 2006, V.S. International Industry Limited ("VSIIL"), a wholly-owned subsidiary of the Company, has entered into a master processing agreement with STX. Pursuant to the said master processing agreement, STX has agreed to engage VSIIL and its subsidiaries for the processing of printed circuit boards for electronic products using surface mounting technologies from time to time during the term of the said master processing agreement (i.e. from 8 August 2006 to 31 July 2009 (both days inclusive)). As STX is a worldwide distributor of electronic products with extensive worldwide marketing and distribution networks, the Directors consider that, by providing the above service to STX, the Group would be able to capture more business opportunities in these high market potential products and to enlarge its market shares worldwide.

The expected annual capped amounts of the processing fees payable by STX for the three years ending 31 July 2009 are HK$34,000,000, HK$41,000,000 and HK$46,000,000 respectively. The actual amount of processing fees paid by STX for the year ended 31 July 2007 was HK$21,051,774.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(i) **Continuing connected transactions with STX (continued)**

STX is interested in 10% of the issued share capital of VSA(HK), an indirect non-wholly owned subsidiary of the Company. Given that STX is a substantial shareholder of a subsidiary of the Company, it is a connected person of the Company under the Listing Rules.

Details of the above continuing connected transaction were set out in the Company's announcement dated 8 August 2006 and the Company's circular dated 28 August 2006.

(ii) **Continuing connected transactions with V.S. (Zhuhai) Management Co., Ltd. ("VS Management")**

VS Zhuhai, a wholly-owned subsidiary of the Company entered into a lease agreement ("2003 Lease Agreement") with VS Management for leasing the residential complex comprising 26 residential buildings and other facilities ("Premises") on 11 December 2003 for a period of nine years.

On 2 August 2006, VS Zhuhai entered into a new lease agreement ("Existing Lease Agreement") with VS Management (which superseded the 2003 Lease Agreement) in relation to the lease of the Premises for a term of one year commencing from 1 August 2006. The Premises is used as staff quarters of VS Zhuhai and other members of the Group. The 2003 Lease Agreement was terminated and ceased to have any effect upon the signing of the Existing Lease Agreement. The aggregate maximum amount of rent and management fee payable by VS Zhuhai for the year ended 31 July 2007 is expected to be HK$9,700,000, whilst the amount actually paid by VS Zhuhai for the year ended 31 July 2007 was HK$9,006,289.

Subsequent to the signing of the Existing Lease Agreement, on 14 November 2006, VS Management (as landlord) entered into lease agreements with the following three parties (as tenants):

(1) VS Zhuhai, in relation to the lease of up to 16 blocks of residential buildings comprising the Premises for a term of two years commencing from 1 August 2007;

(2) VSAZH, in relation to the lease of a block of residential building comprising the Premises for a term of two years commencing from 1 August 2007; and

(3) VSI (Zhuhai), in relation to the lease of up to two blocks of residential buildings comprising the Premises for a term of two years commencing from 1 August 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Continuing connected transactions with VS Management (continued)

The lease agreements under (1), (2) and (3) above are collectively referred to as the "New Lease Agreements". The Existing Lease Agreement remains in full force and effect. The subject properties under the New Lease Agreements are also used for staff quarters purpose. The aggregate annual rent and management fee payable by VS Zhuhai, VSAZH and VSI (Zhuhai) to VS Management is estimated to be approximately RMB16,000,000 (equivalent to approximately HK$15,842,000) for each of the two years ending 31 July 2009. As the New Lease Agreements only commenced from 1 August 2007, there was no rent or management fees paid to VS Management under the New Lease Agreements for the year ended 31 July 2007.

VS Zhuhai and VSI (Zhuhai) are wholly-owned subsidiaries of the Company while VSAZH is a non wholly-owned subsidiary of the Company. The entire issued share capital of VS Management is owned by Mr. Beh Kim Ling, an executive Director and chairman of the Company. Accordingly, VS Management is an associate of Mr. Beh Kim Ling and is therefore a connected person of the Company under the Listing Rules.

The rental and related management fee were payable by cash in advance by two installments which fall due on 15 August 2006 and 12 February 2007.

Details of the above continuing connected transaction were set out in the Company's announcements dated 2 August 2006 and 14 November 2006 and the Company's circular dated 29 November 2006.

(iii) Continuing connected transactions with VS Berhad

VSIIL (for itself and on behalf of its subsidiaries (collectively, "VSIIL Group")), a wholly owned subsidiary of the Company entered into a master supply agreement with VS Berhad Group on 28 December 2005 ("VS Berhad Supply Agreement"). VSIIL Group also entered into a master manufacturing agreement with VS Berhad on 12 May 2006 ("VS Berhad Manufacturing Agreement"). Pursuant to the VS Berhad Supply Agreement, the VSIIL Group has agreed to supply certain plastic moulded products and parts as well as moulds from 28 December 2005 to 31 July 2008.

The expected capped amounts of sales to VS Berhad under the VS Berhad Supply Agreement for the three years ending 31 July 2008 are HK$7,000,000, HK$6,500,000 and HK$6,000,000 respectively. The actual amount of sales to VS Berhad for the year ended 31 July 2007 was HK$599,963. Such sales by VSIIL Group to VS Berhad has commenced since 2000. Details of the transaction under the VS Berhad Supply Agreement have been set out in the announcement of the Company dated 29 December 2005.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Continuing connected transactions with VS Berhad (continued)

Under the VS Berhad Manufacturing Agreement, VSIIL Group has appointed VS Berhad as a sub-contractor for the design and fabrication of moulds from 12 May 2006 to 31 July 2007. The expected annual capped amount of fees payable by VSIIL Group to VS Berhad under the VS Berhad Manufacturing Agreement for the two years ended 31 July 2007 are HK$5,000,000 and HK$5,000,000 respectively. The actual amount of fees paid to VS Berhad for the year ended 31 July 2007 was HK$44,051. Given the production lines for the design and fabrication of moulds of the VSIIL Group have reached their full capacity, VS Berhad was engaged so as to honour the orders placed by the customers and also to maximize the Group's revenue. Details of the transaction under the VS Berhad Manufacturing Agreement have been set out under the announcement of the Company dated 15 May 2006.

The quantity, specification, payment terms and fees under both the VS Berhad Supply Agreement and the VS Berhad Manufacturing Agreement were subject to the individual manufacturing orders placed by the VSIIL Group or VS Berhad and its subsidiaries or vice versa.

These transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules by reason that VS Berhad was a substantial Shareholder.

(iv) Connected transaction: Joint venture in Vietnam

On 30 March 2007, a joint venture contract ("JV Contract") was entered into between VNT Company Limited ("VNT"), B&E Holding Limited ("B&E"), V.S. Holding Vietnam Limited ("VSHVL") and Toyota Tsusho (H.K.) Corp., Ltd. ("Toyota") to increase the chartered capital of VS Vietnam. A joint venture charter was also entered into between the said parties to record the consequential changes arising from the increase in the chartered capital of VS Vietnam. Under the JV Contract, the additional chartered capital is to be contributed by VS Holding and B&E in the sum of US$1,654,500 (approximately HK$12,905,100) and US$2,589,000 (approximately HK$20,194,200) respectively. After the said capital injection, VS Vietnam is held as to approximately 4.4% by VNT, as to approximately 58.8% by B&E, as to approximately 25.0% by VS Holding, and as to approximately 11.8% by Toyota.

The transaction was entered into since the investment in VS Vietnam is in line with the principal business of the Group and that, following such increase in chartered capital of VS Vietnam, the Group would have larger share in return from VS Vietnam.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Connected transaction: Joint venture in Vietnam (continued)

The sole shareholder of B&E is Mr. Beh Kim Siea. Mr. Beh Kim Siea is the brother of Mr. Beh Kim Ling, an executive Director and the chairman of the Company, and also the brother-in-law of Madam Gan Chu Cheng, an executive Director of the Company. Accordingly, Mr. Beh Kim Siea is a connected person of the Company and so is B&E. On the other hand, VSHVL is a wholly-owned subsidiary of the Company. Accordingly, the transaction under the JV Contract constitutes a connected transaction.

Details of the above transaction have been disclosed in the announcement dated 30 March 2007.

(v) Continuing connected transactions with Andes

VSIIL (for itself and on behalf of the other members of the VSIIL Group) entered into a master supply agreement with Andes on 13 April 2006. The quantity, specification and price of the products to be supplied by VSIIL Group under the master supply agreement were subject to the individual manufacturing orders placed by Andes with VSIIL Group. Pursuant to this agreement, the VSIIL Group has supplied certain plastic moulded products and parts to Andes amounting to HK$180,821 during the financial year ended 31 July 2007. These transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules by reason that Andes was a substantial shareholder of VSA(HK), a non-wholly owned subsidiary of the Company.

An announcement dated 13 April 2006 was made by the Company pursuant to Rule 14A.34 of the Listing Rules in respect of these transactions.

On 7 June 2007, VSA(HK) entered into a licence agreement with Andes for Andes to provide surface mounting technologies and related technical know-how and assistance from 7 June 2007 to 31 July 2009. The expected annual caps for the three years ending 31 July 2009 are HK$2,463,069, HK$4,100,000 and HK$4,200,000 respectively. The actual amount of fees paid to Andes for the year ended 31 July 2007 was HK$1,940,995. Details of the said transaction have been disclosed in the announcement of the Company dated 7 June 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Continuing connected transactions with Zhongshan Kejie Non-Metal Material Co., Ltd. ("Zhongshan Kejie")

On 17 January 2007, V.S. Industry (Shenzhen) Co., Ltd. ("VS Shenzhen"), VSI (Zhuhai) and VS Zhuhai, which are wholly-owned subsidiaries of the Company, have entered into the master processing agreements with Zhongshan Kejie.

Pursuant to the said agreements, VS Shenzhen, VSI (Zhuhai) and VS Zhuhai have agreed to engage Zhongshan Kejie for colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the said agreements. The quantity, specification and price of the processing services to be provided by Zhongshan Kejie under the said agreements will be subject to individual orders placed by VS Shenzhen, VSI (Zhuhai) and VS Zhuhai with Zhongshan Kejie. The expected annual capped amounts of the fees payable to Zhongshan Kejie under the said agreements for the three years ending 31 July 2009 is HK$5,947,485, HK$8,626,000 and HK$9,606,000 respectively. The actual amount of fees paid to Zhongshan Kejie for the year ended 31 July 2007 was HK$4,522,642.

Zhongshan Kejie is owned as to 80% by Mr. Beh Kim Hun, a brother and hence an associate of Mr. Beh Kim Ling, an executive Director and the chairman of the Company and the brother-in-law of Madam Gan Chu Cheng, an executive Director of the Company. Under Rule 14A.11(4)(b) of the Listing Rules, Mr. Beh Kim Hun is a connected person of the Company, and by virtue of him being a controlling shareholder of Zhongshan Kejie, Zhongshan Kejie is a connected person of the Company under the Listing Rules. Details of the said transaction have been disclosed in the announcement of the Company dated 17 January 2007.

(vii) Connected transactions: Financial assistance to VS Vietnam

On 5 February 2007, the Company executed the corporate guarantee in favour of Malayan Banking Berhad ("Maybank") in Vietnam to secure the repayment obligations to the extent of US$300,000 (equivalent to approximately HK$2,340,000) of VS Vietnam in respect of loan facilities up to US$2,000,000 (equivalent to approximately HK$15,600,000) granted to VS Vietnam.

The said loan facilities were obtained by VS Vietnam to finance the import of raw materials and related matters, and for its general working capital purpose. The said guarantee is required by Maybank as security for the loan facilities.

As at the date of this report, VS Vietnam is a joint venture company in which the Company holds approximately 25.0% of the entire equity interest. Mr. Beh Kim Siea has an indirect equity interest of approximately 58.8% in VS Vietnam. Mr. Beh Kim Siea is also a brother and hence an associate and connected person of Mr. Beh Kim Ling, an executive Director and the chairman of the Company, and a brother-in-law of Madam Gan Chu Cheng, an executive Director of the Company. Accordingly, the provision of the said guarantee by the Company constituted a connected transaction of the Company under Rule 14A.13(2)(a)(ii) of the Listing Rules.

Details of the above connected transaction were set out in the Company's announcement dated 5 February 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

The Board, including the independent non-executive Directors, confirmed that each of the continuing connected transactions set out in paragraphs (i), (ii), (iii), (v), and (vi) had been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the shareholders as a whole.

The auditors of the Company also confirmed that the continuing connected transactions set out in paragraphs (i), (ii), (iii), (v), and (vi) above:–

1. had been approved by the Board;

2. (where applicable) were in accordance with the pricing policies of the Group;

3. had been entered into in accordance with the terms of the agreements relating to these transactions; and

4. the aggregate consideration received or paid in respect of the above continuing connected transactions during the financial year ended 31 July 2007 had not exceeded the cap disclosed in the respective announcement and/or circular.

Save as disclosed therein, there were no other connected transactions which are required to be disclosed in this report in accordance with the requirements of Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

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

During the financial year ended 31 July 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 July 2007 are set out in notes 23, 24 and 32(c) to the audited financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year ended 31 July 2007 is set out in note 6(a) to the audited financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 114 of this annual report.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 113 of this annual report.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 5 to the audited financial statements.

AUDIT COMMITTEE

The Board established the Audit Committee on 20 January 2002 and was re-constituted on 30 September 2004. The role, function and composition of the Audit Committee are set out on page 23 of this annual report.

The Audit Committee has reviewed the Group's financial statements for the financial year ended 31 July 2007 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his independence from the Group and the Company considers that each of them to be independent pursuant to Rule 3.13 of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued Shares under the Listing Rules at any time during the financial year ended 31 July 2007.

Report of the Directors

AUDITORS

KPMG will retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board

Beh Kim Ling
Chairman
Zhuhai, the PRC
21 September 2007

KPMG

Independent auditor's report to the shareholders of
V.S. International Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of V.S. International Group Limited (the "Company") set out on pages 44 to 110, which comprise the consolidated and Company balance sheets as at 31 July 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and its subsidiaries (together, the "Group") as at 31 July 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
21 September 2007

Consolidated Income Statement

for the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Turnover	3 & 13	**1,495,291**	1,402,260
Cost of sales		**(1,277,747)**	(1,195,200)
Gross profit		**217,544**	207,060
Other net income	4	**16,508**	9,939
Distribution costs		**(32,338)**	(28,276)
Administrative expenses		**(83,545)**	(77,770)
Other operating expenses		**(120)**	(323)
Profit from operations		**118,049**	110,630
Finance costs	6(a)	**(54,961)**	(53,453)
Share of losses of associates		**(4,782)**	(5,446)
Profit before taxation	6	**58,306**	51,731
Income tax	7	**(8,615)**	(6,291)
Profit for the year		**49,691**	45,440
Attributable to:			
Equity shareholders of the Company	28	**50,137**	45,323
Minority interests	28	**(446)**	117
Profit for the year	28	**49,691**	45,440
Dividend payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	11(a)	**8,670**	6,714
Earnings per share	12		
Basic		**5.87 cents**	5.48 cents
Diluted		**5.83 cents**	5.45 cents

The notes on pages 51 to 110 form part of these financial statements.

Consolidated Balance Sheet

at 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		776,516	722,818
– Interests in leasehold land held for own use under operating leases		23,663	22,816
	14	800,179	745,634
Goodwill	15	2,172	2,172
Interests in associates	17	20,040	12,007
		822,391	759,813
Current assets			
Inventories	18	190,032	162,593
Trade and other receivables	19	301,265	283,908
Deposits with banks	20	65,527	79,871
Cash and cash equivalents	21	121,248	161,485
		678,072	687,857
Current liabilities			
Trade and other payables	22	294,561	274,362
Interest-bearing borrowings	23	523,651	508,422
Obligations under finance leases	24	3,676	11,415
Loan from a substantial shareholder	32(c)	4,914	4,879
Current taxation	26	–	917
		826,802	799,995
Net current liabilities		(148,730)	(112,138)
Total assets less current liabilities		673,661	647,675
Non-current liabilities			
Interest-bearing borrowings	23	190,275	236,782
Obligations under finance leases	24	3,297	6,974
Loan from a substantial shareholder	32(c)	19,658	24,395
		213,230	268,151
NET ASSETS		460,431	379,524

Consolidated Balance Sheet

at 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
CAPITAL AND RESERVES			
Share capital	27	**43,349**	41,961
Reserves	28(a)	**412,997**	332,453
Total equity attributable to equity shareholders of the Company		**456,346**	374,414
Minority interests	28(a)	**4,085**	5,110
TOTAL EQUITY		**460,431**	379,524

Approved and authorised for issue by the board of directors on 21 September 2007

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 51 to 110 form part of these financial statements.

Balance Sheet

at 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 (restated) $'000
Non-current assets			
Property, plant and equipment	14(b)	**6,457**	6,628
Investments in subsidiaries	16	**393,864**	346,227
		400,321	352,855
Current assets			
Other receivables	19	**57,658**	59,967
Cash and cash equivalents	21	**1,993**	1,634
		59,651	61,601
Current liabilities			
Other payables	22	**142,967**	122,903
Interest-bearing borrowings	23	**–**	450
		142,967	123,353
Net current liabilities		**(83,316)**	(61,752)
Total assets less current liabilities		**317,005**	291,103
Non-current liabilities			
Other payables	22(a)	**43,109**	11,649
NET ASSETS		**273,896**	279,454
CAPITAL AND RESERVES			
Share capital	27	**43,349**	41,961
Reserves	28(b)	**230,547**	237,493
TOTAL EQUITY		**273,896**	279,454

Approved and authorised for issue by the board of directors on 21 September 2007

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 51 to 110 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Total equity at 1 August:			
Attributable to:			
– Equity shareholders of the Company		**374,414**	324,291
– Minority interests	28	**5,110**	5,513
		379,524	329,804
Net income recognised directly in equity:			
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	28	**33,606**	6,432
Net income for the year recognised directly in equity		**33,606**	6,432
Net profit for the year	28	**49,691**	45,440
Total recognised income and expense for the year		**83,297**	51,872
Attributable to:			
– Equity shareholders of the Company		**83,743**	51,755
– Minority interests	28	**(446)**	117
		83,297	51,872
Dividends declared and payable to:			
– Equity shareholders of the Company	11,28	**(6,840)**	(6,606)
– Minority interests	28	**(579)**	(520)
		(7,419)	(7,126)
Movements in equity arising from capital transactions:			
Shares issued under share option scheme		**4,997**	3,458
Equity settled share-based transactions	28	**32**	1,516
		5,029	4,974
Total equity at 31 July		**460,431**	379,524

The notes on pages 51 to 110 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Operating activities			
Profit before taxation		**58,306**	51,731
Adjustments for:			
– Finance costs	6(a)	**54,961**	53,453
– Interest income	4	**(6,943)**	(6,105)
– Amortisation of interests in leasehold land held for own use under operating leases	14(a)	**380**	370
– Depreciation	14(a)	**88,015**	87,758
– Share of losses of associates		**4,782**	5,446
– Change in fair value of forward exchange contracts	6(b)	**(5,737)**	–
– Impairment losses for interests in associates		**120**	–
– Loss on disposal of fixed assets	4	**98**	4,468
– Equity settled share-based payment expenses	5	**32**	1,516
Operating profit before changes in working capital		**194,014**	198,637
(Increase)/decrease in inventories		**(18,364)**	20,474
Decrease/(increase) in trade and other receivables		**578**	(18,921)
Decrease in trade and other payables		**(8,852)**	(13,395)
Cash generated from operations		**167,376**	186,795
Income tax paid by the subsidiaries in the People's Republic of China ("PRC")	26	**(9,532)**	(5,456)
Net cash generated from operating activities		**157,844**	181,339
Investing activities			
Payment for the purchase of fixed assets		**(80,589)**	(96,083)
Proceeds from sales of fixed assets		**456**	3,558
Deposits with banks		**18,560**	78,838
Interest received		**6,943**	6,105
Payment for capital injection to associates		**(12,935)**	(6,975)
Net cash used in investing activities		**(67,565)**	(14,557)

Consolidated Cash Flow Statement

for the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000
Financing activities			
Capital element of finance lease rentals paid		**(11,415)**	(12,303)
Interest element of finance lease rentals paid		**(962)**	(1,168)
Repayment of loan from a substantial shareholder		**(4,702)**	(4,966)
Repayment of bank loans		**(1,196,509)**	(849,201)
Proceeds from new bank loans		**1,138,924**	832,654
Proceeds from shares issued under share option scheme		**4,997**	3,458
Other borrowing costs paid		**(56,477)**	(53,430)
Dividend paid	28(a)	**(7,419)**	(7,126)
Net cash used in financing activities		**(133,563)**	(92,082)
Net (decrease)/increase in cash and cash equivalents		**(43,284)**	74,700
Cash and cash equivalents at 1 August	21	**159,347**	84,317
Effect of foreign exchange rates changes		**4,407**	330
Cash and cash equivalents at 31 July	21	**120,470**	159,347

During the year ended 31 July 2006, certain fixed assets of the Group with a net book value totalling $950,000 were transferred to an associate as part of the Group's capital injection therein (note 14(f)).

The notes on pages 51 to 110 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 July 2007 comprise the Company and its subsidiaries and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

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

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

As at 31 July 2007, the Group's and the Company's current liabilities exceeded its current assets by approximately $148,730,000 and $83,316,000 respectively. The directors have evaluated all the relevant facts available to them and are of the opinion that there does not exist any material adverse conditions which would preclude the Group and the Company from renewing the current bank loans upon expiry or securing adequate banking facilities to enable the Group and the Company to meet their financial obligations as they fall due for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company.

Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in an associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or in an associate is recognised immediately in the income statement.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the income statement.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)):

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(h));

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;
- Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 10 years from the date of completion, and the unexpired terms of the leases; and

– Plant and machinery	3 – 10 years
– Office equipment, furniture and fixtures	3 – 5 years
– Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such as determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, which is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

(i) Impairment of financial assets

Financial assets that are stated at cost or amortised cost or are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For financial assets that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries and interests in associates; and

– goodwill.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial reporting in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i)(i) and 1(i)(ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(i)).

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds (the "MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other retirement benefit schemes, are recognised as an expense in the income statement as and when incurred.

Annual contributions to pension schemes operated by the government in the PRC are recognised as an expense in the income statement as and when incurred.

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model with modification, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

Where the guarantee is issued by the Company in respect of the banking facilities granted to its subsidiaries, the asset identified is a form of capital contribution i.e. an addition to the cost of the investment in the subsidiary.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a subsidiary outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

Note 1 summarises the accounting policies of the Group after the adoption of these developments to the extent that they are relevant to the Group. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Restatement of the Company's balance sheet as at 31 July 2006

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the Company's balance sheet as at 31 July 2006 and other significant related disclosure items as previously reported for the year ended 31 July 2006. The effects of the changes in accounting policies on the balances at 1 August 2005 and 2006 are disclosed in note 28.

	2006 (as previously reported) $'000	Effect of new policy (increase/ (decrease) in net assets) HKAS 39 (note 2(c)) $'000	2006 (as restated) $'000
Non-current assets			
Property, plant and equipment	6,628	–	6,628
Investments in subsidiaries	258,122	88,105	346,227
	264,750	88,105	352,855
Current assets			
Other receivables	59,967	–	59,967
Cash and cash equivalents	1,634	–	1,634
	61,601	–	61,601
Current liabilities			
Other payables	92,072	30,831	122,903
Interest-bearing borrowings	450	–	450
	92,522	30,831	123,353
Net current liabilities	(30,921)	(30,831)	(61,752)
Total assets less current liabilities	233,829	57,274	291,103
Non-current liabilities			
Other payables	–	11,649	11,649
NET ASSETS	233,829	45,625	279,454
CAPITAL AND RESERVES			
Share capital	41,961	–	41,961
Reserves	191,868	45,625	237,493
TOTAL EQUITY	233,829	45,625	279,454

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Estimated effect of changes in accounting policies on the Company's balance sheet as at 31 July 2007

The following tables provide estimates of the extent to which each of the line items in the Company's balance sheet and other significant related disclosure items for the year ended 31 July 2007 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

	Estimated effect of new policy (increase/(decrease) in net assets) HKAS 39 (note 2(c)) $'000
Non-current assets	
Investments in subsidiaries	135,742
	135,742
Current liabilities	
Other payables	23,613
Net current liabilities	(23,613)
Total assets less current liabilities	112,129
Non-current liabilities	
Other payables	43,109
NET ASSETS	69,020
CAPITAL AND RESERVES	
Reserves	69,020
TOTAL EQUITY	69,020

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Financial guarantees issued (Amendments to HKAS 39, *Financial instruments: Recognition and measurement: Financial guarantee contracts*)

In prior years, financial guarantees issued by the Company were disclosed as contingent liabilities in accordance with HKFRS 4, *Insurance contracts* and HKAS 37, *Provisions, contingent liabilities and contingent assets*. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 August 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 1(q)(i).

The new accounting policy has been applied retrospectively by restating opening balances at 1 August 2005 and 2006 to the extent that guarantees were unexpired at those dates, with consequential adjustments to comparatives for the year ended 31 July 2006. It is not practicable to estimate the fair values and consequential effect on reported net assets of the change in accounting policies in respect of any other guarantees issued prior to 1 August 2005. The adjustments for each financial statement line affected for the years ended 31 July 2006 and 2007 are set out in notes 2(a) and (b). Details of the financial guarantees currently issued by the Company to its subsidiaries are set out in note 31. The Group did not provide any external financial guarantee for the years ended 31 July 2006 and 2007.

3 TURNOVER

The principal activities of the Group are the manufacturing and sales of plastic moulded products and parts, assembling of electronic products and mould design and fabrication.

Turnover represents the aggregate invoiced value of goods sold. Turnover excludes value added or other sales taxes and is after deduction of any trade discounts.

An analysis of turnover derived from the principal activities of the Group is as follows:

	2007 $'000	2006 $'000
Breakdown of turnover by principal activities		
Plastic injection and moulding	**1,131,878**	1,114,554
Assembling of electronic products	**225,506**	177,191
Mould design and fabrication	**137,907**	110,515
	1,495,291	1,402,260

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER NET INCOME

	2007 $'000	2006 $'000
Net loss on disposal of fixed assets	**(98)**	(4,468)
Interest income	**6,943**	6,105
Rentals receivable from operating leases	**9,257**	9,004
Others	**406**	(702)
	16,508	9,939

5 STAFF COSTS

	2007 $'000	2006 $'000
Salaries, wages and allowances	**211,997**	184,422
Contribution to retirement benefit schemes	**12,143**	10,367
Equity settled share-based payment expenses (note 28)	**32**	1,516
	224,172	196,305

Staff costs include directors' remuneration totalling $22,217,000 (2006: $23,037,000) (note 8).

A subsidiary of the Company has entered into processing arrangements with certain independent third parties (the "Providers") in respect of certain production facilities in Shenzhen, the PRC. Pursuant to the relevant processing agreements, labour required for production is provided by the Providers, who are responsible for the participation in retirement benefit schemes pursuant to the relevant rules and regulations in the PRC. In return, a processing charge calculated based on the number of staff engaged in the production is payable to the Providers. The Group has no obligations to pay any retirement benefits of existing and former staff provided by the Providers.

Other subsidiaries of the Company operating in the PRC participate in government pension schemes whereby the subsidiaries are required to pay annual contributions at rates from 10% to 32% of the standard wages determined by the relevant authorities in the PRC. Under the scheme, retirement benefits of existing and former employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions.

Contributions to MPF are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the Mandatory Provident Fund Scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employees and employer are subject to a cap of monthly relevant income of $20,000.

The Group did not operate nor participate in any other scheme for retirement benefits provided to the Group's employees during the year.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

		2007 $'000	2006 $'000
(a)	Finance costs:		
	Interest on bank advances repayable within five years	**52,472**	47,786
	Interest on loan from a substantial shareholder	**1,300**	1,605
	Finance charges on obligations under finance leases	**962**	1,168
	Total borrowing costs	**54,734**	50,559
	Less: Borrowing costs capitalised as construction in progress *	**(2,478)**	(1,145)
		52,256	49,414
	Other charges	**2,705**	4,039
		54,961	53,453

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 7.1% (2006: 6.0%) per annum for construction in progress.

		2007 $'000	2006 $'000
(b)	Other items:		
	Cost of inventories # (note 18(b))	**1,277,747**	1,195,200
	Auditors' remuneration		
	– audit services	**1,902**	1,788
	– other services	**579**	484
	Impairment losses for doubtful debts (reversed)/charged	**(2,193)**	3,629
	Impairment losses for interests in associates	**120**	–
	Processing fees #	**17,703**	17,633
	Amortisation of interests in leasehold land held for own use under operating leases	**380**	370
	Depreciation #		
	– other assets	**85,185**	81,418
	– assets held under finance leases	**2,830**	6,340
	Net foreign exchange loss	**7,959**	964
	Change in fair value of forward exchange contracts	**(5,737)**	–
	Net gain on forward foreign exchange contracts	**(877)**	–
	Operating lease charges in respect of properties #		
	– factory and hostel rentals	**10,494**	10,262
	Loss on disposal of fixed assets	**98**	4,468
	Compensation paid for early termination of leases	**–**	323

Cost of inventories includes $233,525,000 (2006: $219,205,000) relating to staff costs, depreciation, processing fees and operating lease charges which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007 **$'000**	2006 $'000
Current tax – PRC		
Tax for the year	**8,615**	6,291

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the years ended 31 July 2007 and 2006.

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

Subsidiaries of the Company in the PRC were either entitled to income tax exemption or sustained losses for taxation purposes for the year ended 31 July 2007 except for the following four 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	7.5%
	1 January 2006 to 31 July 2007	10.0%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2005 to 31 December 2006	7.5%
	1 January 2007 to 31 July 2007	15.0%
V.S. Industry (Zhuhai) Co., Ltd.	1 August 2005 to 31 December 2006	Exempted
	1 January 2007 to 31 July 2007	7.5%
Qingdao GS Electronics Plastic Co., Ltd.	1 August 2005 to 31 December 2006	Exempted
	1 January 2007 to 31 July 2007	7.5%

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(a) Taxation in the consolidated income statement represents: (continued)

The export sales made by VS Zhuhai exceeded 70% of its total turnover for the twelve months ended 31 December 2006. Pursuant to relevant PRC tax regulations, VS Zhuhai is entitled to a 5% reduction in income tax rate for the relevant fiscal year. Approval from the relevant tax authorities was obtained on 15 March 2007 and a tax credit amounting to $3,389,000 may be recognised as a reduction of the income tax expenses incurred in the fiscal year 2007. Part of the income tax credit, which amounting to $3,213,000, was recognised as a reduction of income tax expenses during the financial year ended 31 July 2007. The remaining tax credit of $176,000 will be utilised against the future income tax expenses.

For the year ended 31 July 2006, VS Zhuhai obtained the PRC tax authorities' approval, whereby VS Zhuhai was entitled to a tax credit in relation to purchase of equipment domestically produced in the PRC. Pursuant to relevant tax regulations, such tax credit amounting to $968,000 was recognised as a reduction in income tax expenses for the year ended 31 July 2006.

A subsidiary of the Company has entered into processing arrangements with certain 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.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("**new tax law**") which will take effect on 1 January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the Group's subsidiaries in the PRC will be increased from 15% to 25% from 1 January 2008. The transitional arrangements for those entities enjoying tax at differential rates has yet to be announced by the relevant PRC tax authorities. Accordingly, the Group is unable to estimate the effect of the new tax law on its future tax expenses.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 **$'000**	2006 $'000
Profit before taxation	**58,306**	51,731
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**8,746**	7,760
Tax effect of non-deductible expenses	**3,964**	1,550
Tax effect of unused tax losses not recognised	**1,679**	3,899
Tax effect of tax relief granted	**(5,774)**	(6,918)
Actual tax expense	**8,615**	6,291

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION

The remuneration of every directors for the year ended 31 July 2007 is set out below:

	Fee $'000	Salary $'000	Discre-tionary bonus (note (i)) $'000	Share-based payments (note (ii)) $'000	Retirement scheme contributions $'000	Total $'000
Executive directors						
Beh Kim Ling	–	6,000	3,600	5	–	9,605
Gan Sem Yam	–	4,200	3,000	5	–	7,205
Gan Chu Cheng	–	3,000	1,200	5	–	4,205
Zhang Pei Yu	–	447	150	3	–	600
	–	13,647	7,950	18	–	21,615
Non-executive director						
Gan Tiong Sia	180	–	–	2	–	182
Independent non-executive directors						
Diong Tai Pew	160	–	–	–	–	160
Cheung Kwan Hung, Anthony	140	–	–	–	–	140
Tang Sim Cheow	120	–	–	–	–	120
	420	–	–	–	–	420
	600	13,647	7,950	20	–	22,217

8 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of every directors for the year ended 31 July 2006 is set out below:

	Fee	Salary	Discre-tionary bonus (note (i))	Share-based payments (note (ii))	Retirement scheme contributions	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Beh Kim Ling	–	6,000	3,600	256	–	9,856
Gan Sem Yam	–	4,200	3,000	256	–	7,456
Gan Chu Cheng	–	3,000	1,200	256	–	4,456
Zhang Pei Yu	–	396	150	78	–	624
	–	13,596	7,950	846	–	22,392
Non-executive director						
Gan Tiong Sia	180	–	–	63	–	243
Independent non-executive directors						
Diong Tai Pew	120	–	–	16	–	136
Cheung Kwan Hung, Anthony	120	–	–	16	–	136
Tang Sim Cheow	120	–	–	10	–	130
	360	–	–	42	–	402
	540	13,596	7,950	951	–	23,037

Notes:

(i) Each of the executive directors is entitled, on completion of every twelve months of service, to a management bonus in respect of each financial year of the Company in an amount to be determined by the board of directors which is subject to a cap amount.

(ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme as described in note 25. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(o)(ii).

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION (CONTINUED)

Share options granted and the corresponding exercisable portion in respect of each directors are set out below:

	Number granted	Number exercisable as at 1 August 2006	Options vested during the year	Options exercised during the year	**Number exercisable as at 31 July 2007**
Executive directors					
Beh Kim Ling	8,200,000	6,150,000	2,050,000	(8,200,000)	**–**
Gan Sem Yam	8,200,000	6,150,000	2,050,000	(8,200,000)	**–**
Gan Chu Cheng	8,200,000	–	2,050,000	(2,050,000)	**–**
Zhang Pei Yu	2,500,000	–	625,000	(625,000)	**–**
	27,100,000	12,300,000	6,775,000	(19,075,000)	**–**
Non-executive director					
Gan Tiong Sia	2,000,000	1,500,000	500,000	(2,000,000)	**–**
Independent non-executive directors					
Diong Tai Pew	500,000	375,000	125,000	(500,000)	**–**
Cheung Kwan Hung, Anthony	500,000	375,000	125,000	(500,000)	**–**
Tang Sim Cheow	300,000	225,000	75,000	(300,000)	**–**
	1,300,000	975,000	325,000	(1,300,000)	**–**
	30,400,000	14,775,000	7,600,000	(22,375,000)	**–**

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2006: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2006: two) individuals are as follows:

	2007 **$'000**	2006 $'000
Salaries and other emoluments	**1,205**	1,317
Retirement scheme contributions	**–**	–
Discretionary bonuses	**549**	215
Share-based payments	**1**	39
	1,755	1,571

The emoluments of the two (2006: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2007	2006
$Nil – $1,000,000	**2**	2

Under the Company's share option scheme described in note 25, the two individuals of the Company with the highest emoluments were granted an aggregate of 1,296,000 share options to subscribe for shares in the Company during the year. 324,000 of the share options granted were exercised during the year ended 31 July 2007 (2006: 972,000 share options).

There were no amounts paid during the year ended 31 July 2007 and 2006 to the Directors or any of the five highest paid individuals as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

10 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $3,747,000 (2006 (restated): profit of $19,824,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007 $'000	2006 $'000
Final dividend proposed after the balance sheet date of 1.0 cent (2006: 0.8 cents) per share	**8,670**	6,714

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

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007 $'000	2006 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 0.8 cents (2006: 0.8 cents) per share	**6,840**	6,606

During the period from the date of proposal of the final dividend for the year ended 31 July 2006 to the date of approval of such final dividend, 15,810,000 share options were exercised. Accordingly, a final dividend amounting to $6,840,000 was approved and paid during the year.

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $50,137,000 (2006: $45,323,000) and the weighted average number of 854,349,619 shares (2006: 827,806,022 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007 Number of shares	2006 Number of shares
Issued ordinary shares at 1 August	**839,215,000**	820,000,000
Effect of share options exercised (note 25)	**15,134,619**	7,806,022
Weighted average number of ordinary shares at 31 July	**854,349,619**	827,806,022

(Expressed in Hong Kong dollars unless otherwise indicated)

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of $50,137,000 (2006: $45,323,000) and the weighted average number of ordinary shares of 859,502,362 shares (2006: 831,323,321 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007 Number of shares	2006 Number of shares
Weighted average number of ordinary shares at 31 July	**854,349,619**	827,806,022
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 25)	**5,152,743**	3,517,299
Weighted average number of ordinary shares (diluted) at 31 July	**859,502,362**	831,323,321

13 SEGMENT REPORTING

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

(a) Business segments

The Group comprises the following main business segments:

Plastic injection and moulding	:	manufacture and sales of plastic moulded products and parts
Assembling of electronic products	:	assembling and sales of electronic products, including processing fees generated from assembling of electronic products
Mould design and fabrication	:	manufacture and sales of plastic injection moulds

(Expressed in Hong Kong dollars unless otherwise indicated)

13 SEGMENT REPORTING (CONTINUED)

(a) Business segments (continued)

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Turnover from external customers	**1,131,878**	1,114,554	**225,506**	177,191	**137,907**	110,515	**1,495,291**	1,402,260
Segment result	**130,433**	129,298	**2,300**	1,571	**39,155**	31,588	**171,888**	162,457
Unallocated operating income and expenses							**(53,839)**	(51,827)
Profit from operations							**118,049**	110,630
Finance costs							**(54,961)**	(53,453)
Share of losses of associates							**(4,782)**	(5,446)
Income tax							**(8,615)**	(6,291)
Profit for the year							**49,691**	45,440
Depreciation and amortisation for the year	**55,508**	54,554	**18,681**	18,187	**7,160**	9,532	**81,349**	82,273
Unallocated depreciation and amortisation							**7,046**	5,855
							88,395	88,128
Significant non-cash items (other than depreciation and amortisation)	**(3,025)**	2,891	**(589)**	(182)	**(338)**	90	**(3,952)**	2,799
Unallocated expenses							**–**	–
							(3,952)	2,799
Segment assets	**884,150**	722,525	**192,261**	208,817	**140,414**	116,579	**1,216,825**	1,047,921
Interests in associates							**20,040**	12,007
Unallocated assets							**263,598**	387,742
Total assets							**1,500,463**	1,447,670
Segment liabilities	**199,134**	204,109	**27,577**	29,314	**42,451**	29,947	**269,162**	263,370
Unallocated liabilities							**770,870**	804,776
Total liabilities							**1,040,032**	1,068,146
Capital expenditure incurred during the year	**82,258**	45,098	**1,281**	20,773	**7,901**	2,102	**91,440**	67,973
Unallocated capital expenditure							**9,189**	18,868
							100,629	86,841

(Expressed in Hong Kong dollars unless otherwise indicated)

13 SEGMENT REPORTING (CONTINUED)

(b) Geographical segments

The Group's business participates in six (2006: six) major economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets. All segment assets and capital expenditure are in the PRC.

Turnover from external customers is analysed as follows:

	2007 $'000	2006 $'000
PRC (other than Taiwan and Hong Kong)	878,641	857,286
Hong Kong	318,844	327,985
Northern Asia	102,986	75,980
Europe	73,522	49,596
South East Asia	67,832	46,948
United States of America	53,039	44,320
Others	427	145
	1,495,291	1,402,260

(Expressed in Hong Kong dollars unless otherwise indicated)

14 FIXED ASSETS

(a) The Group

	Buildings held for own use $'000	Leasehold improvements $'000	Plant and machinery $'000	Office equipment, furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total $'000
Cost:									
At 1 August 2005	241,525	16,537	655,088	29,030	20,416	14,760	977,356	21,074	998,430
Exchange adjustments	2,792	160	7,313	329	229	–	10,823	285	11,108
Transfer	3,446	8,283	4,622	202	–	(16,553)	–	–	–
Additions	270	768	52,520	1,664	984	27,132	83,338	3,503	86,841
Disposals	(13,726)	–	(3,723)	(4,912)	(822)	–	(23,183)	–	(23,183)
At 31 July 2006	234,307	25,748	715,820	26,313	20,807	25,339	1,048,334	24,862	1,073,196
At 1 August 2006	234,307	25,748	715,820	26,313	20,807	25,339	1,048,334	24,862	1,073,196
Exchange adjustments	15,166	856	36,836	1,685	1,070	769	56,382	1,343	57,725
Transfer	47,792	–	2,523	967	–	(51,282)	–	–	–
Additions	5,210	278	55,337	7,230	3,197	29,377	100,629	–	100,629
Disposals	–	–	(12,115)	(16)	(1,032)	–	(13,163)	–	(13,163)
At 31 July 2007	302,475	26,882	798,401	36,179	24,042	4,203	1,192,182	26,205	1,218,387
Accumulated depreciation and amortisation:									
At 1 August 2005	14,658	6,645	202,689	13,441	11,978	–	249,411	1,654	251,065
Exchange adjustments	222	30	2,004	162	136	–	2,554	22	2,576
Charge for the year	4,620	2,008	74,512	3,555	3,063	–	87,758	370	88,128
Written back on disposals	–	–	(12,324)	(1,225)	(658)	–	(14,207)	–	(14,207)
At 31 July 2006	19,500	8,683	266,881	15,933	14,519	–	325,516	2,046	327,562
At 1 August 2006	19,500	8,683	266,881	15,933	14,519	–	325,516	2,046	327,562
Exchange adjustments	1,218	184	11,727	908	707	–	14,744	116	14,860
Charge for the year	5,441	2,544	72,034	5,233	2,763	–	88,015	380	88,395
Written back on disposals	–	–	(11,676)	(13)	(920)	–	(12,609)	–	(12,609)
At 31 July 2007	26,159	11,411	338,966	22,061	17,069	–	415,666	2,542	418,208
Net book value:									
At 31 July 2007	276,316	15,471	459,435	14,118	6,973	4,203	776,516	23,663	800,179
At 31 July 2006	214,807	17,065	448,939	10,380	6,288	25,339	722,818	22,816	745,634

(Expressed in Hong Kong dollars unless otherwise indicated)

14 FIXED ASSETS (CONTINUED)

(b) The Company

	Buildings held for own use $'000	Office equipment, furniture and fixtures $'000	Total $'000
Cost:			
At 1 August 2005	7,247	193	7,440
Additions	–	7	7
At 31 July 2006	7,247	200	7,447
At 1 August 2006	7,247	200	7,447
Additions	–	–	–
At 31 July 2007	7,247	200	7,447
Accumulated depreciation:			
At 1 August 2005	507	127	634
Charge for the year	145	40	185
At 31 July 2006	652	167	819
At 1 August 2006	652	167	819
Charge for the year	145	26	171
At 31 July 2007	797	193	990
Net book value:			
At 31 July 2007	6,450	7	6,457
At 31 July 2006	6,595	33	6,628

14 FIXED ASSETS (CONTINUED)

(c) An analysis of net book value of properties is as follows:

	The Group		The Company	
	2007 **$'000**	2006 $'000	**2007** **$'000**	2006 $'000
In Hong Kong				
– Medium-term leases	**6,450**	6,595	**6,450**	6,595
Outside Hong Kong				
– Medium-term leases	**293,529**	231,028	**–**	–
	299,979	237,623	**6,450**	6,595
Representing:				
Buildings held for own use	**276,316**	214,807	**6,450**	6,595
Interests in leasehold land held for own use under operating leases	**23,663**	22,816	**–**	–
	299,979	237,623	**6,450**	6,595

(d) At 31 July 2007 and 2006, certain fixed assets have been pledged as security for bank loans (note 23(b)).

(e) The Group leases certain production plant and machinery under finance leases expiring in one to two years. At the end of the respective lease term, 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 held under finance leases of the Group was $23,053,000 (2006: $53,594,000).

(f) During the year ended 31 July 2006, certain fixed assets with net book value of $950,000 were transferred to an associate as part of the Group's capital injection therein. In addition, certain fixed assets with net book value of $1,883,000 were sold to another associate (note 32(a)).

(g) The land use right certificate for land use rights with a net book value of $3,738,000 at 31 July 2007 (2006: $3,503,000) has yet to be obtained.

(h) Properties certificates for buildings held for own use with a net book value of $21,862,000 at 31 July 2007 (2006: $Nil) have yet to be obtained.

15 GOODWILL

	The Group $'000
Cost and carrying amount:	
At 31 July 2006 and 2007	2,172

The directors make an assessment of the recoverable amount of goodwill annually and considered that there was no impairment at 31 July 2007.

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006 (restated)
	$'000	$'000
Unlisted shares, at cost	**393,864**	346,227

Details of the subsidiaries at 31 July 2007 are set out below. All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements.

				Proportion of ownership interest			
Name of Company	**Place of incorporation**	**Place of operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activity**
V.S. International Industry Limited	British Virgin Islands ("BVI")	Hong Kong	US$100	100%	100%	–	Investment holding
V.S. Investment Holdings Limited	BVI	Hong Kong	$54,000,025	100%	100%	–	Investment holding
V.S. Corporation (Hong Kong) Co., Limited ("VSHK")	Hong Kong	PRC	$75,000,002 (75,000,000 non-voting deferred shares of $1 each and 2 ordinary shares of $1 each (note (iv)))	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Industry (Shenzhen) Co., Ltd. (note (i))	PRC	PRC	$10,000,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
VS Zhuhai (note (i))	PRC	PRC	US$27,200,000	100%	–	100%	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
Haivs Industry (Qingdao) Co., Ltd. (note (i))	PRC	PRC	RMB32,150,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of Company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Qingdao GS Electronics Plastic Co., Ltd. (note (i))	PRC	PRC	RMB73,980,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
Qingdao GP Electronic Plastics Co., Ltd. (note (i))	PRC	PRC	US$4,948,940	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
VSA Holding Hong Kong Co., Limited ("VSA(HK)")	Hong Kong	PRC	$15,600,000	71%	–	71%	Assembling and selling of electronic products, parts and components
VSA Electronics Technology (Zhuhai) Co., Ltd. (note (iii))	PRC	PRC	US$6,500,000	98.55%	–	98.55%	Assembling and selling of electronic products, parts and components
V.S. Capital Holdings Limited	Hong Kong	N/A	$2	100%	–	100%	Dormant
V.S. Industry (Zhuhai) Co., Ltd. (note (ii))	PRC	PRC	US$3,216,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Holding Vietnam Limited	BVI	Hong Kong	US$100	100%	100%	–	Investment holding

Notes:

(i) These are wholly foreign owned enterprises established in the PRC.

(ii) This is a sino-foreign equity joint venture company established in the PRC. The registered capital is held by two of the Company's wholly-owned subsidiaries.

(iii) This is a foreign equity joint venture company established in the PRC.

(iv) In accordance with the articles of association of VSHK, a shareholder of non-voting deferred shares is not entitled to any dividend or any participation in the profits or assets of VSHK and is also not entitled to vote at any general meeting.

17 INTERESTS IN ASSOCIATES

	2007 $'000	2006 $'000
Share of net assets	**11,639**	12,007
Goodwill	**8,521**	–
	20,160	12,007
Less: impairment losses	**(120)**	–
	20,040	12,007

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or the assets of the Group.

					Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation**	**Place of operation**	**Particulars of capital**	**Group's effective interest**	**Held by subsidiaries**	**Principal activity**
Wako VS Nano Technologies (Zhuhai) Co., Ltd. ("Wako VS Zhuhai")	Sino-foreign equity joint venture	PRC	PRC	Registered capital US$3,900,000	47.2% (note (i))	35.1%	Manufacturing and selling of plastic parts and components of electronic 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
VS Industry Vietnam Joint Stock Company (formerly know as VS Industry Vietnam Co., Ltd.)	Limited liability company	Vietnam	Vietnam	Legal capital of US$10,200,000	25.0%	25.0%	Manufacturing and selling of plastic moulded products and parts
VS-Usotor (Zhuhai) Co., Ltd. ("VS-Usotor")	Sino-foreign equity joint venture	PRC	PRC	Registered capital $6,200,000	15.3% (note (ii))	15.3%	Manufacturing and selling of metal stamped parts and components

17 INTERESTS IN ASSOCIATES (CONTINUED)

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 interests in Wako VS HK and VS-Usotor, are 18.9% and 15.3% respectively, as the Group has the ability to exercise significant influence over their management, including participating in the financial and operating policy decisions, they are considered to be associates of the Group.

(iii) As Wako VS Zhuhai has sustained losses for several years, the directors evaluated the business activity and future performance of Wako VS Zhuhai and Wako VS HK, and considered that the carrying amounts of interests in Wako VS Zhuhai and Wako VS HK were impaired. Accordingly, the Group has recognised in the consolidated income statement an impairment losses of $120,000 for interests in associates.

The summary financial information relating to associates is as follows (100% interests):

	2007 $'000	2006 $'000
Assets	**311,313**	143,690
Liabilities	**(229,888)**	(64,578)
Equity	**81,425**	79,112
Revenues	**99,482**	42,566
Losses	**(12,932)**	(12,861)

18 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2007 $'000	2006 $'000
Raw materials	**79,394**	68,196
Work-in-progress	**69,566**	50,679
Finished goods	**41,072**	43,718
	190,032	162,593

(Expressed in Hong Kong dollars unless otherwise indicated)

18 INVENTORIES (CONTINUED)

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007	2006
	$'000	$'000
Carrying amount of inventories sold	**1,279,506**	1,196,030
Write down of inventories	**412**	145
Reversal of write-down of inventories	**(2,171)**	(975)
	1,277,747	1,195,200

The reversal of write-down of inventories arose due to an increase in the estimated net realisable value of certain goods as a result of a change in consumer preferences.

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Amounts due from subsidiaries	**–**	–	**57,548**	59,889
Trade receivables	**218,376**	210,809	**–**	–
Bills receivable	**34,952**	30,841	**–**	–
Other receivables, prepayments and deposits	**42,200**	42,258	**110**	78
Derivative financial instruments	**5,737**	–	**–**	–
	301,265	283,908	**57,658**	59,967

Bills discounted to a bank with recourse totalling $34,641,000 were included in bills receivables (note 23(b)) as at 31 July 2007 (2006: $22,676,000).

All of the trade and other receivables including amounts due from subsidiaries are expected to be recovered within one year. Amounts due from subsidiaries are unsecured, interest free and repayable upon demand.

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

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

	The Group	
	2007 $'000	2006 $'000
Within 30 days	**166,100**	126,614
Over 30 days but within 90 days	**61,925**	85,411
Over 90 days but within one year	**25,303**	29,625
	253,328	241,650

The Group's credit policy is set out in note 29(a).

20 DEPOSITS WITH BANKS

	The Group	
	2007 $'000	2006 $'000
Deposits with banks with original maturity date over three months	**–**	18,542
Pledged fixed deposits with banks	**65,527**	61,329
	65,527	79,871

Pledged fixed deposits with banks have been pledged to banks as security for the bank loans and overdrafts (note 23(b)), and other banking facilities (note 22(c)).

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash at bank and in hand	**121,248**	161,485	**1,993**	1,634
Cash and cash equivalents in the balance sheet	**121,248**	161,485	**1,993**	1,634
Bank overdrafts (note 23(a))	**(778)**	(2,138)		
Cash and cash equivalents in the consolidated cash flow statement	**120,470**	159,347		

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006 (restated)
	$'000	$'000	**$'000**	$'000
Amounts due to subsidiaries	**–**	–	**108,742**	80,950
Trade payables	**208,364**	191,033	**–**	–
Bills payable	**–**	4,873	**–**	–
Deferred income (note 22(a))	**–**	–	**23,613**	30,831
Accrued expenses and other payables	**86,197**	78,456	**10,612**	11,122
	294,561	274,362	**142,967**	122,903

All of the trade and other payables, including amounts due to subsidiaries, are expected to be settled or recognised as income within one year. Amounts due to subsidiaries are unsecured, interest free and repayable upon demand.

(a) Deferred income

Aggregate fair values of guarantees issued by the Company to certain suppliers and banks in respect of certain credit and banking facilities utilised by its subsidiaries are recognised as deferred income. The deferred income is amortised in the income statement over the respective terms of the guarantees. The analysis of the unamortised deferred income is as follows:

	The Company	
	2007 **$'000**	2006 $'000
Financial guarantee issued	**66,722**	42,480
Amortised within one year	**(23,613)**	(30,831)
Amortised after one year	**43,109**	11,649

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

	The Group	
	2007 **$'000**	2006 $'000
Due within 30 days or on demand	**84,343**	84,561
Due after 30 days but within 90 days	**106,707**	87,968
Due after 90 days but within 180 days	**17,314**	18,504
Due after 180 days but within one year	**–**	4,873
	208,364	195,906

(c) Banking facilities in connection with trade finance are secured by the following assets of the Group:

	The Group	
	2007 **$'000**	2006 $'000
Pledged fixed deposit with banks (note 20)	**–**	4,873

(Expressed in Hong Kong dollars unless otherwise indicated)

23 INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current:				
Within one year or on demand	**523,651**	508,422	**–**	450
Non-current:				
After one year but within two years	**27,856**	112,454	**–**	–
After two years but within five years	**162,419**	124,328	**–**	–
	190,275	236,782	**–**	–
	713,926	745,204	**–**	450

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

	The Group		The Company	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current:				
Overdrafts				
– secured	**778**	2,138	**–**	–
Bank loans				
– secured	**378,197**	353,580	**–**	450
– unsecured	**144,676**	152,704	**–**	–
	522,873	506,284	**–**	450
	523,651	508,422	**–**	450
Non-current:				
Bank loans				
– secured	**190,275**	236,782	**–**	–
	713,926	745,204	**–**	450

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

(Expressed in Hong Kong dollars unless otherwise indicated)

23 INTEREST-BEARING BORROWINGS (CONTINUED)

(b) Certain banking facilities, including overdrafts and bank loans, are secured by the following assets of the Group and the Company:

	The Group		The Company	
	2007 **$'000**	2006 $'000	**2007** **$'000**	2006 $'000
Bills receivables (note 19)	**34,641**	22,676	**–**	–
Fixed deposits (note 20)	**65,527**	56,456	**–**	–
Buildings held for own use with aggregate carrying value (note 14(d))	**217,871**	197,648	**6,450**	6,595
Plant and machinery with aggregate carrying value (note 14(d))	**172,810**	199,086	**–**	–
Interests in leasehold land held for own use under operating leases with aggregate carrying value (note 14(d))	**17,559**	10,582	**–**	–
	508,408	486,448	**6,450**	6,595

Such banking facilities, totalling $744,443,000 (2006: $621,291,000), were utilised to the extent of $569,250,000 (2006: $592,500,000) as at 31 July 2007.

(c) Three of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(b). As at 31 July 2007 and 2006, none of the covenants relating to drawn down facilities had been breached.

(Expressed in Hong Kong dollars unless otherwise indicated)

24 OBLIGATIONS UNDER FINANCE LEASES

At 31 July 2007, the Group had obligations under finance leases repayable as follows:

	The Group					
	2007			2006		
	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
Within one year	**3,676**	**378**	**4,054**	11,415	910	12,325
After one year but within two years	**3,297**	**115**	**3,412**	3,676	389	4,065
After two years but within five years	**–**	**–**	**–**	3,298	125	3,423
	3,297	**115**	**3,412**	6,974	514	7,488
	6,973	**493**	**7,466**	18,389	1,424	19,813

The Company has given a corporate guarantee for the lease obligations.

25 SHARE OPTION SCHEME

The Company has a share option scheme (the "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 in 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. Except as disclosed in note 33 of these financial statements, no further options have been granted since that date.

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SHARE OPTION SCHEME (CONTINUED)

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

Date granted	Vesting period	Exercise period	Options granted Directors '000	Employees '000	Total '000
12 July 2005	–	12 July 2005 to 12 July 2007	7,600	4,647	12,247
	12 July 2005 to 24 November 2005	25 November 2005 to 12 July 2007	7,600	4,647	12,247
	12 July 2005 to 9 April 2006	10 April 2006 to 12 July 2007	7,600	4,647	12,247
	12 July 2005 to 22 August 2006	23 August 2006 to 12 July 2007	7,600	4,647	12,247
			30,400	18,588	48,988

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

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

	2007 Weighted average exercise price	**2007** Number of options '000	2006 Weighted average exercise price	2006 Number of options '000
Outstanding at the beginning of the year	**$ 0.18**	**27,761**	$ 0.18	48,988
Exercised during the year	**$ 0.18**	**(27,761)**	$ 0.18	(19,215)
Lapsed during the year	**$ 0.18**	**–**	$ 0.18	(2,012)
Outstanding at the end of the year	**$ 0.18**	**–**	$ 0.18	27,761
Exercisable at the end of the year	**$ 0.18**	**–**	$ 0.18	15,514

The weighted average share price at the date of exercise for options exercised during the year was $0.34 (2006: $0.29).

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2007 $'000	2006 $'000
Provision for the PRC income tax for the year	**8,615**	6,291
Tax paid	**(9,532)**	(5,456)
	(917)	835
Balance of income tax provision relating to prior years	**917**	82
PRC income tax payable	**–**	917

(b) Deferred tax assets not recognised:

No deferred tax assets in respect of accumulated tax losses of $38,742,000 (2006: $27,552,000) have been recognised as it is not probable that future taxable profits against which the losses can be utilised will be generated. Tax losses incurred by subsidiaries incorporated in the PRC expire five years after they are incurred. In addition, other deferred tax assets or liabilities have not been recognised as all the deductible or temporary differences are not material.

27 SHARE CAPITAL

	2007		2006	
	Number of shares '000	**Amount $'000**	Number of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.05 each	**4,000,000**	**200,000**	4,000,000	200,000
Issued and fully paid:				
At 1 August	**839,215**	**41,961**	820,000	41,000
Shares issued under the Share Option Scheme	**27,761**	**1,388**	19,215	961
At 31 July	**866,976**	**43,349**	839,215	41,961

(Expressed in Hong Kong dollars unless otherwise indicated)

27 SHARE CAPITAL (CONTINUED)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Shares issued under the Share Option Scheme

During the year, options were exercised to subscribe for 27,761,000 (2006: 19,215,000) ordinary shares in the Company at a consideration of $4,997,000 (2006: $3,458,000) of which $1,388,000 (2006: $961,000) was credited to share capital and the balance of $3,609,000 (2006: $2,497,000) was credited to the share premium account. $1,286,000 (2006: $859,000) has been transferred from the employee share-based capital reserve to the share premium account in accordance with policy set out in note 1(o)(ii).

Terms of unexpired and unexercised options at the balance sheet date

Exercise period	Exercise price	2007 Number of options '000	2006 Number of options '000
12 July 2005 to 12 July 2007	$0.18	–	5,284
25 November 2005 to 12 July 2007	$0.18	–	5,344
10 April 2006 to 12 July 2007	$0.18	–	5,638
23 August 2006 to 12 July 2007	$0.18	–	11,495
		–	27,761

Each option entitled the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 25 to the financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

28 RESERVES

(a) The Group

	Note	Share premium $'000 (note 28(b)(i))	Contributed surplus $'000 (note 28(b)(i))	Foreign exchange translation reserve $'000 (note (i))	Statutory reserve fund $'000 (note (ii))	Employee share-based capital reserve $'000 (note 28(b)(ii))	Retained profits $'000	Total $'000	Minority interests $'000	Total $'000
		Attributable to equity holders of the Company								
At 1 August 2005		63,755	31,700	9,576	18,155	689	159,416	283,291	5,513	288,804
Shares issued under the Share Option Scheme	27	3,356	–	–	–	(859)	–	2,497	–	2,497
Equity settled share-based transactions		–	–	–	–	1,516	–	1,516	–	1,516
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	6,432	–	–	–	6,432	–	6,432
Dividend approved in respect of the previous year		–	(6,606)	–	–	–	–	(6,606)	(520)	(7,126)
Share options lapsed during the year		–	–	–	–	(92)	92	–	–	–
Appropriation of reserves		–	–	–	4,768	–	(4,768)	–	–	–
Profit for the year		–	–	–	–	–	45,323	45,323	117	45,440
At 31 July 2006		67,111	25,094	16,008	22,923	1,254	200,063	332,453	5,110	337,563

(Expressed in Hong Kong dollars unless otherwise indicated)

28 RESERVES (CONTINUED)

(a) The Group (continued)

		Attributable to equity holders of the Company								
	Note	Share premium $'000 (note 28(b)(i))	Contributed surplus $'000 (note 28(b)(i))	Foreign exchange translation reserve $'000 (note (i))	Statutory reserve fund $'000 (note (ii))	Employee share-based capital reserve $'000 (note 28(b)(ii))	Retained profits $'000	Total $'000	Minority interests $'000	Total $'000
At 1 August 2006		67,111	25,094	16,008	22,923	1,254	200,063	332,453	5,110	337,563
Shares issued under the Share Option Scheme	27	4,895	–	–	–	(1,286)	–	3,609	–	3,609
Equity settled share-based transactions		–	–	–	–	32	–	32	–	32
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	33,606	–	–	–	33,606	–	33,606
Dividend approved in respect of the previous year		–	(6,840)	–	–	–	–	(6,840)	(579)	(7,419)
Appropriation of reserves		–	–	–	6,117	–	(6,117)	–	–	–
Profit for the year		–	–	–	–	–	50,137	50,137	(446)	49,691
At 31 July 2007		72,006	18,254	49,614	29,040	–	244,083	412,997	4,085	417,082

Notes:

(i) Foreign exchange translation reserve

The foreign exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy as set out in note 1(s)).

(ii) Statutory reserve fund

According to the articles of association of the subsidiaries of the Company in the PRC, the subsidiaries are required to transfer at least 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations applicable to enterprises with foreign investment, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to the Company.

The statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital.

(Expressed in Hong Kong dollars unless otherwise indicated)

28 RESERVES (CONTINUED)

(b) The Company

	Note	Share premium $'000 (note (i))	Contributed surplus $'000 (note (i))	Employee share-based capital reserve $'000 (note (ii))	(Accumulated losses)/ retained profits $'000	Total $'000
At 1 August 2005						
– as previously reported		63,755	160,822	689	(31,056)	194,210
– prior period adjustments in respect of HKAS 39		–	–	–	26,052	26,052
– as restated		63,755	160,822	689	(5,004)	220,262
Shares issued under the Share Option Scheme	27	3,356	–	(859)	–	2,497
Equity settled share-based transactions		–	–	1,516	–	1,516
Dividend approved in respect of the previous year		–	(6,606)	–	–	(6,606)
Share options lapsed during the year		–	–	(92)	92	–
Profit for the year, as restated		–	–	–	19,824	19,824
At 31 July 2006, as restated		67,111	154,216	1,254	14,912	237,493
At 1 August 2006						
– as previously reported		67,111	154,216	1,254	(30,713)	191,868
– prior period adjustments in respect of HKAS 39		–	–	–	45,625	45,625
– as restated		67,111	154,216	1,254	14,912	237,493
Shares issued under Share Option Scheme	27	4,895	–	(1,286)	–	3,609
Equity settled share-based transactions		–	–	32	–	32
Dividend approved in respect of the previous year		–	(6,840)	–	–	(6,840)
Loss for the year		–	–	–	(3,747)	(3,747)
At 31 July 2007		72,006	147,376	–	11,165	230,547

28 RESERVES (CONTINUED)

(b) The Company (continued)

Notes:

(i) Share premium and contributed surplus

(a) Under the Companies Law of the Cayman Islands, the funds in the share premium account and contributed surplus account of the Company are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Pursuant to a reorganisation, the Company became the holding company of the Group on 20 January 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus.

(ii) Employee share-based capital reserve

Employee share-based capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(o)(ii).

(iii) Distributable reserves

As 31 July 2007, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to $230,547,000 (2006 (restated): $237,493,000) subject to the restrictions stated above. After the balance sheet date, the directors proposed a final dividend of 1.0 cent per ordinary share (2006: 0.8 cents), amounting to $8,670,000 (2006: $6,714,000). This dividend has not been recognised as a liability at the balance sheet date.

29 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to pledged fixed deposits with financial institutions and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of pledged fixed deposits with financial institutions, the Group only places fixed deposits with major financial institutions, which management believes are of high credit rating.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Credit terms granted by the Group to customers generally range from 30 to 120 days. Debtors with balances that are more than 12 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 18% (2006: 17%) and 35% (2006: 41%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. Except for the financial guarantees given by the Company as set out in note 31, the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 31.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

In according with prevailing practice in the PRC, banking facilities granted by authorised financial institutions in the PRC usually have terms such that they will expire or are subject to renegotiation or renewal within one year from the date of grant. The Group's policy is to negotiate with such authorised financial institutions in the PRC on a regular basis to ensure that there are no material adverse conditions in the PRC which may preclude the Group from being able to extend or renew the current bank loans upon expiry or from securing adequate banking facilities to meet the Group's financial requirements.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The Group

	2007						2006					
	Effective interest rate %	Total $'000	1 year or less $'000	1 – 2 years $'000	2 – 5 years $'000	More than 5 years $'000	Effective interest rate %	Total $'000	1 year or less $'000	1 – 2 years $'000	2 – 5 years $'000	More than 5 years $'000
Repricing dates for assets/ (liabilities) which reprice before maturity												
Cash and cash equivalents	0.8%	121,248	121,248	-	-	-	0.7%	161,485	161,485	–	–	–
Deposits with banks	5.9%	30,944	30,944	-	-	-	5.5%	24,424	24,424	–	–	–
Bank overdrafts	9.8%	(778)	(778)	-	-	-	8.8%	(2,138)	(2,138)	–	–	–
Bank loans	7.3%	(222,191)	(222,191)	-	-	-	6.4%	(233,082)	(233,082)	–	–	–
Obligations under finance leases	7.1%	(6,973)	(6,973)	-	-	-	6.8%	(18,389)	(18,389)	–	–	–
		(77,750)	(77,750)	-	-	-		(67,700)	(67,700)	–	–	–
Maturity dates for assets/ (liabilities) which do not reprice before maturity												
Deposits with banks	5.2%	34,583	34,583	-	-	-	3.2%	55,447	55,447	–	–	–
Bank loans	6.5%	(490,957)	(300,682)	(27,856)	(162,419)	-	5.9%	(509,984)	(273,202)	(112,454)	(124,328)	–
Loans from a substantial shareholder	5.0%	(24,572)	(4,914)	(9,829)	(9,829)	-	5.0%	(29,274)	(4,879)	(4,879)	(14,637)	(4,879)
		(480,946)	(271,013)	(37,685)	(172,248)	-		(483,811)	(222,634)	(117,333)	(138,965)	(4,879)

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

Effective interest rates and repricing analysis (continued)

The Company

	2007						2006					
	Effective interest rate %	Total $'000	1 year or less $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Effective interest rate %	Total $'000	1 year or less $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Repricing dates for assets/ (liabilities) which reprice before maturity												
Cash and cash equivalents	2.0%	1,993	1,993	–	–	–	2.0%	1,634	1,634	–	–	–
Repricing dates for assets/ (liabilities) which reprice before maturity												
Bank loans	–	–	–	–	–	–	6.7%	(450)	(450)	–	–	–

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HKD"), United States dollars ("USD"), Japanese Yen and Renminbi ("RMB").

RMB is not freely convertible into foreign currencies. On 1 January 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China ("PBOC"). With the authorisation from the PRC government, the PBOC announced that the PRC government reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies on 21 July 2005. The exchange rate of US dollars against RMB was adjusted to 8.11 yuan per US dollar with effect from 21 July 2005. However, it does not imply convertibility of RMB into other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other institutions authorised to buy and sell foreign currencies. Approval of foreign currency payments, including remittances of dividends, by the PBOC or other institutions requires submitting a payment application form together with relevant supporting documents.

As the HKD is pegged to the USD, the Group does not expect any significant movements in the USD/HKD exchange rate. Some of the Group's sale transactions are denominated in USD. In view of the appreciation of RMB against USD during the year ended 31 July 2007, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD. In view of the foreign currency risk exposure, the Group has entered into certain forward exchange contracts with aggregate notional contract amounts of US$62,000,000 to hedge against the trade receivables denominated in USD.

29 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk (continued)

The Group does not adopt hedge accounting as the management considers that the adoption of hedge accounting would require an assessment of the effectiveness of the hedge on an ongoing basis and, therefore, involve expense and delay out of proportion to the value to the shareholders of the Company.

As at 31 July, 2007, the notional amounts of the outstanding forward exchange contracts were US$42,500,000. The outstanding forward exchange contracts will expire within one year. The aggregate fair value of the outstanding forward exchange contracts amounted to $5,737,000 at 31 July 2007 and has been recognised as derivative financial instruments. The changes in fair value of the forward exchange contracts were recognised in the income statements (see note 6(b)).

In respect of other trade receivables and payables held in currencies other than USD or the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's borrowings are mainly denominated in USD, HKD and RMB. In view of the appreciation of RMB against the USD/HKD, the Group adopts a policy to increase the portion of USD/HKD denominated borrowings as compared to RMB denominated borrowings gradually. The balance of USD/HKD and RMB denominated borrowings as at 31 July 2007 amounted to $330,967,000 (2006: $305,084,000) and $414,504,000 (2006: $487,783,000) respectively.

Included in assets and liabilities are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group									
	USD		HKD		RMB		Japanese Yen		Euro	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	'000	'000	**'000**	'000	**'000**	'000	**'000**	'000	**'000**	'000
Trade and other receivables	**5,833**	4,400	**12,466**	12,928	**34,468**	21,940	**6,362**	6,495	**–**	–
Deposits with banks	**1,373**	1,306	**–**	–	**–**	12,355	**–**	–	**–**	–
Cash and cash equivalents	**878**	2,461	**30,113**	5,308	**65,403**	33,054	**–**	–	**–**	–
Trade and other payables	**(2,691)**	(1,138)	**(8,619)**	(11,810)	**(85,534)**	(77,785)	**(89,778)**	(23,432)	**(105)**	(15)
Interest-bearing borrowings	**(18,900)**	(17,500)	**(50,000)**	–	**(342,413)**	(416,447)	**–**	–	**–**	–
	(13,507)	(10,471)	**(16,040)**	6,426	**(328,076)**	(426,883)	**(83,416)**	(16,937)	**(105)**	(15)

	The Company									
	USD		HKD		RMB		Japanese Yen		Euro	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	'000	'000	**'000**	'000	**'000**	'000	**'000**	'000	**'000**	'000
Trade and other receivables	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Deposits with banks	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Cash and cash equivalents	**5**	5	**–**	–	**–**	–	**–**	–	**–**	–
Trade and other payables	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Interest-bearing borrowings	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	5	5	**–**	–	**–**	–	**–**	–	**–**	–

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 July 2007 and 2006.

(f) Estimation of fair value

The following summarises are the major methods and assumptions used in estimating the fair values of the financial instruments:

(i) Derivatives

The fair value of forward exchange contracts is estimated by discounting the contractual forward price and deducting the current spot rate.

(ii) Interest-bearing loans and borrowings and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

The fair value of the financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantees are made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iv) Interest rate used for determining fair value

The market interest rates adopted are as follows:

	The Group	
	2007	2006
Loans and borrowings	**5.9%-8.1%**	5.9%-7.8%
Finance lease liabilities	**5.2%-8.7%**	4.9%-8.4%

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 31 July 2007 not provided for in the financial statements were as follows:

	The Group	
	2007	2006
	$'000	$'000
Contracted for	**11,119**	22,905
Authorised but not contracted for	**253**	12,792
	11,372	35,697

(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 in respect of these operating leases amounted to $10,494,000 (2006: $10,262,000) were recognised as expenses in the consolidated income statement. None of the leases includes contingent rentals.

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

	The Group	
	2007	2006
	$'000	$'000
Within one year	**1,494**	1,158
After one but within five years	**820**	1,202
	2,314	2,360

Significant leasing arrangements in respect of machinery classified as being held under finance leases and land held under operating lease are described in notes 14 and 24.

(Expressed in Hong Kong dollars unless otherwise indicated)

31 CONTINGENT LIABILITIES

At 31 July 2007, contingent liabilities of the Company were as follows:

	The Company	
	2007	2006
	$'000	$'000
Guarantees given to banks by the Company in respect of finance lease obligations of a subsidiary	**6,973**	18,389
Guarantees given to banks by the Company in respect of banking facilities utilised by certain subsidiaries	**540,988**	617,262
Guarantees given to bank by the Company in respect of banking facilities utilised by an associate	**2,234**	–
Guarantees given to suppliers of credit facilities utilised by certain subsidiaries	**8,823**	21,042
	559,018	656,693

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. Deferred income in respect of the guarantees issued is disclosed in note 22.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

	2007 $'000	2006 $'000
Sales to a substantial shareholder	600	2,914
Sales to associates	949	4,619
Sales to minority shareholders of VSA(HK)	21,233	30,445
	22,782	37,978
Interest paid and payable to a substantial shareholder (note 32(c))	1,300	1,605
Sales of fixed assets to an associate	–	1,883
Royalty fee paid and payable to a minority shareholder of VSA(HK)	782	665
Technical advisory fee paid and payable to a minority shareholder of VSA(HK)	1,159	–
Operating lease charges paid and payable to a company controlled by a director	8,400	7,962
Operating lease charges received and receivable from associates	950	902
Purchase of raw materials from an associate	1,807	–
Purchase of raw materials from a substantial shareholder	–	439
Management fee paid and payable to a company controlled by a director	607	575
Sub-contracting fee paid and payable to an associate	237	1,688
Sub-contracting fee paid and payable to a substantial shareholder	44	2,032
Sub-contracting fee paid and payable to a company controlled by the family member of a director	4,522	–
Dividends paid to minority shareholders of VSA(HK)	579	520

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

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from related parties included as part of trade and other receivables were as follows:

	The Group	
	2007 **$'000**	2006 $'000
Amount due from a minority shareholder of VSA(HK)	**2,011**	1,372
Amount due from a company controlled by a director	**2,549**	2,644
Amounts due from associates	**4,982**	7,915
Amount due from a substantial shareholder	**68**	133
	9,610	12,064

Amounts due from related parties are interest free, unsecured and have no fixed term of repayment.

(c) Amounts due to related parties are detailed as follows:

	The Group			
	2007		2006	
	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	**8,250**	**–**	8,796	–
Amount due to a company controlled by a director	**49**	**–**	–	–
Amount due to a company controlled by the family member of a director	**680**	**–**	–	–
Amounts due to associates	**265**	**–**	518	–
Amount due to a minority shareholder of VSA(HK)	**79**	**–**	–	–
Amount due to a substantial shareholder				
– current portion	**616**	**4,914**	619	4,879
– non-current portion	**–**	**19,658**	–	24,395
	9,939	**24,572**	9,933	29,274

* Pursuant to a loan agreement entered into between the Group and the substantial shareholder 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 (2006: 5%) on the outstanding balance. Interest paid and payable to the substantial shareholder, amounted to $1,300,000 (2006: $1,605,000) for the year ended 31 July 2007.

Except for the loan from a substantial shareholder of the Company, the amounts due to other related parties are interest free, unsecured and have no fixed terms of repayment.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

The Group has not identified any person, other than the directors of the Company, having the authority and responsibility for planning, directing and controlling the activities of the Group. The remuneration information of directors of the Company is set out in note 8.

33 NON-ADJUSTING POST BALANCE EVENT

Pursuant to the ordinary resolution duly passed by the independent shareholders of the Company at the annual general meeting ("AGM") held on 15 December 2006, the general scheme limit ("General Scheme Limit") of the Share Option Scheme as defined in note 25 was refreshed. The total number of shares which could be allotted and issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10 percent of the shares in issue as at the date of the AGM. As at the date of the AGM, there were 855,025,000 shares of the Company in issue. Accordingly, the refreshed General Scheme Limit was 85,502,500 shares of the Company.

Pursuant to resolutions ("Resolutions") passed on 17 August 2007, the board of the directors of the Company approved the grant of 85,500,000 share options under the rules of the Share Option Scheme.

A list ("List of Grantees") of proposed grantees (each a "Grantee" and collectively the "Grantees"), such Grantees comprising four executive directors, one non-executive director, three independent non-executive directors, one director of VSA(HK) and 44 employees of the Group, sets out proposals for each Grantee to be offered share options ("Options") pursuant to the Share Option Scheme to subscribe for shares ("Share Option") of $0.05 each in the share capital of the Company.

The main purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. In appreciation of their efforts and continuing support and service to the Group, it was proposed that the share options be granted to the Grantees pursuant to the Share Option Scheme, to subscribe for Option Shares at a subscription price of $0.323 ("Subscription Price") per Option Share. The Subscription Price was not less than the higher of (i) the closing price of the shares of the Company (being $0.275) on the Stock Exchange on the date of passing of the Resolutions, being the date of the offer of grant of the Options; and (ii) the average of the closing price of the Shares (being $0.323) on the Stock Exchange for the five trading days immediately preceding the date of passing of the Resolutions. Therefore, the Subscription Price complied with the requirements contained in the Share Option Scheme and the Listing Rules of the Stock Exchange.

34 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.

35 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 29 contain information about the assumptions and their risk factors relating to fair value of financial instruments. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements:

(a) Going concern basis of preparation

As disclosed in note 1(b), the financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including business forecasts and cash flow projections for the year ended 31 July 2008. Such forecasts and projections about future inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

(b) Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets at least annually in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets, taking into account upgrading and improvement work performed and anticipated technological changes. The depreciation for future periods is adjusted if there are significant changes from previous estimates.

(c) Provision for inventories

As explained in note 1(j), the Group's inventories are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the inventories, the Group makes estimates of the selling prices, the costs to be incurred in selling the inventories and the costs of completion in case for work in progress. Uncertainty exists in these estimations.

(d) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade receivable balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 JULY 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 July 2007 and which have not been adopted in these financial statements.

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

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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 the 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

Cricket Square
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Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4106, 41st Floor
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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 AS TO HONG KONG LAWS

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
Shenzhen Development Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Industrial & Commercial Bank of China

Corporate Information

SUBSIDIARIES

V.S. International Industry Limited
V.S. Holding Vietnam 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
VSA Holding Hong Kong Co., Limited
V.S. Capital Holdings Limited
41st Floor, Jardine House
1 Connaught Place
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Tel. No: (852) 2511 9002
Fax No: (852) 2511 9880

VSHK Processing Factory
V.S. Industry (Shenzhen) Co., Ltd.
Huangpu Village, Shajin Town
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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.
Qingdao GP Electronic Plastics Co., Ltd.
Qianwangang Road South
Haier International Industrial Park
Qingdao Economic and Technology Development Zone
Huangdao District
266510 Qingdao
Shandong Province
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Tel. No: (86) 532 8676 2188
Fax No: (86) 532 8676 2233

ASSOCIATED COMPANIES

Wako VS Nano Technologies (Hong Kong) Co., Ltd.
Unit 1507, 15/F
AXA Centre
No 151 Gloucester Road
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Tel. No: (852) 2529 6976
Fax No: (852) 2529 6791

Wako VS Nano Technologies (Zhuhai) Co., Ltd.
VS-Usotor (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/(86) 756 3392 992

VS Industry Vietnam Joint Stock Company
(formerly known as VS Industry Vietnam Co., Ltd.)
Quevo Industrial Park, Vanduong Commune
Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 241 634 300
Fax No: (84) 241 634 308

Group Properties

1 MAJOR PROPERTY UNDER DEVELOPMENT

Location	Intended use	Expected date of completion	Site area (sq.m.)	Group interest (%)
Outside Hong Kong				
Vacant land situated at Beisha Village Tangjia Wan Town, Xiangzhou District, Zhuhai, Guangdong Province, The PRC	Industrial	July 2008	39,600	100

2 MAJOR PROPERTIES HELD FOR OWN USE

Location	Existing use	Term of lease	Group's interest (%)
In Hong Kong			
4106, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Commercial	Medium	100
Outside Hong Kong			
Phase I, II, III, IV, V and VI of an industrial complex situated at Beisha Village Tangjia Wan Town, Xiangzhou District, Zhuhai, Guangdong Province, The PRC	Industrial	Medium	100
An industrial complex situated at Qianwangang Road South Haier International Industrial Park, Qingdao Economic and Technology Development Zone, Huangdao District, Qingdao, Shandong Province, The PRC	Industrial	Medium	100
An industrial complex situated at Hetao Export Processing Zone Qingdao City, Chengyang District, Qingdao, Shandong Province, The PRC	Industrial	medium	100

Five Years Summary

(Expressed in Hong Kong dollars)

	Note	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Results						
Turnover		**1,495,291**	1,402,260	1,226,909	1,021,218	1,136,049
Profit from operations		**118,049**	110,630	78,925	46,085	41,108
Finance costs		**(54,961)**	(53,453)	(45,611)	(39,961)	(21,662)
Share of losses of associates		**(4,782)**	(5,446)	(3,296)	–	–
Profit before taxation		**58,306**	51,731	30,018	6,124	19,446
Income tax		**(8,615)**	(6,291)	(4,082)	(3,225)	(2,731)
Profit for the year		**49,691**	45,440	25,936	2,899	16,715
Attributable to:						
Equity shareholders of the Company		**50,137**	45,323	24,587	2,177	19,429
Minority interests		**(446)**	117	1,349	722	(2,714)
Profit for the year		**49,691**	45,440	25,936	2,899	16,715
Assets and liabilities						
Non-current assets		**822,391**	759,813	759,065	846,713	609,366
Current assets		**678,072**	687,857	707,322	585,579	686,384
Total assets		**1,500,463**	1,447,670	1,466,387	1,432,292	1,295,750
Current liabilities		**(826,802)**	(799,995)	(821,601)	(688,727)	(641,204)
Non-current liabilities		**(213,230)**	(268,151)	(314,982)	(445,558)	(354,662)
		460,431	379,524	329,804	298,007	299,884
Share capital		**43,349**	41,961	41,000	41,000	41,000
Reserves		**412,997**	332,453	283,291	252,843	255,442
Minority interests		**4,085**	5,110	5,513	4,164	3,442
		460,431	379,524	329,804	298,007	299,884
Earnings per share						
Basic		**5.87 cents**	5.48 cents	3.00 cents	0.27 cents	2.37 cents
Diluted	2	**5.83 cents**	5.45 cents	3.00 cents	N/A	N/A

Notes:

(1) The Company was incorporated in the Cayman Islands on 9 July 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the main board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. The Group has been treated as a continuing entity and, accordingly, the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group since 1 August 1998, rather than 20 January 2002.

Accordingly, the results of the Group for the four years ended 31 July 2002 have been prepared on the basis of merger accounting as if the group structure immediately after the reorganisation had been in existence since 1 August 2000. This financial summary includes the results of the Company and its subsidiaries with effect from 1 August 2001 or since their respective dates of incorporation, whichever is a shorter period. The combined balance sheets as at 31 July 2002 are the combination of the balance sheets of all the companies comprising the Group as at 31 July 2002. In the opinion of the Directors, the resulting combined financial statements give a more meaningful view of the results and the state of the affairs of the Group as a whole.

(2) The calculation of diluted earnings per share for the years ended 31 July 2006 and 2007 was based on the profit attributable to ordinary shareholders of $45,323,000 and $50,137,000 respectively and the weighted average number of ordinary shares 831,323,321 and 859,502,362 shares respectively after adjusting for the effects of all dilutive potential ordinary shares under the share option scheme which was approved by the shareholders on 20 January 2002 whereby directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. No potential dilutive ordinary shares were in issue as at 31 July 2003 and 2004.