



V.S. International Group Limited
威鉞國際集團有限公司
(incorporated in the Cayman Islands with limited liability)
(stock code: 1002)



Propelling
Propelling
Forward >>>
Forward

Interim Report
2007/ 08

Table of content

	<i>Page</i>
Corporate Information	2
Introduction	4
Consolidated Income Statement (Unaudited)	5
Consolidated Balance Sheet (Unaudited)	6
Consolidated Statement of Changes in Equity (Unaudited)	8
Condensed Consolidated Cash Flow Statement (Unaudited)	9
Notes to the Interim Financial Report (Unaudited)	10
Management Discussion and Analysis of Results of Operations	37
Future Prospects	40
Other Information	41
Independent Review Report	52



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
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th 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 and Commercial Bank of China Ltd.

Corporate Information

SUBSIDIARIES

V.S. International Industry Limited

V.S. Holding Vietnam Limited

V.S. Resources Holding Limited

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

V.S. Investment Holdings Limited

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

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

VSA Holding Hong Kong Co., Limited

V.S. Capital Holdings Limited

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

VSHK Processing Factory

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

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

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

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

VSA Electronics Technology (Zhuhai) Co., Ltd.

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

Qingdao GS Electronics Plastic Co., Ltd.

Haivs Industry (Qingdao) Co., Ltd.

Qianwangang Road South
Haier International Industrial Park
Qingdao Economic and Technology Development Zone
Huangdao District
266510 Qingdao
Shandong Province
The People’s Republic of China
Tel. No: (86) 532 8676 2188
Fax No: (86) 532 8676 2233

Qingdao GP Electronic Plastics Co., Ltd.

Hetao Export Processing Zone
Chengyang District
266113 Qingdao
Shandong Province
The People’s Republic of China
Tel. No: (86) 532 8792 3666
Fax No: (86) 532 8792 3660

ASSOCIATED COMPANIES

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

Unit 1507, 15/F
AXA Centre
No 151 Gloucester Road
Hong Kong
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



Introduction

The board (“Board”) of directors (“Directors”) of V.S. International Group Limited (“Company”) has pleasure to present the interim financial report of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 January 2008, which have not been audited by the auditors of the Group, KPMG, but have been reviewed by KPMG and the audit committee (“Audit Committee”) of the Board.

Consolidated Income Statement (Unaudited)

for the six months ended 31 January 2008
(Expressed in Hong Kong dollars)

For the six months
ended 31 January

	Note	2008 \$'000	2007 \$'000
Turnover	2	728,768	793,620
Cost of sales		(644,627)	(670,294)
Gross profit		84,141	123,326
Other net income	3	23,915	6,768
Distribution costs		(18,104)	(18,233)
Administrative expenses		(43,673)	(42,978)
Other operating income/(expenses)		120	(120)
Profit from operations		46,399	68,763
Finance costs	4(a)	(26,768)	(26,579)
Share of profits less losses of associates		1,630	(4,249)
Profit before taxation	4	21,261	37,935
Income tax	5(a)	(2,494)	(5,984)
Profit for the period		18,767	31,951
Attributable to:			
Equity shareholders of the Company	20	18,949	32,084
Minority interests	20	(182)	(133)
Profit for the period		18,767	31,951
Earnings per share	7		
Basic		2.19 cents	3.78 cents
Diluted		2.18 cents	3.75 cents

The notes on pages 10 to 36 form part of this interim financial report.

Consolidated Balance Sheet (Unaudited)

at 31 January 2008
(Expressed in Hong Kong dollars)

		At 31 January 2008 \$'000	At 31 July 2007 \$'000
	Note		
Non-current assets			
Fixed assets			
– Property, plant and equipment		797,008	776,516
– Interests in leasehold land held for own use under operating leases		24,703	23,663
	8	821,711	800,179
Goodwill	9	2,172	2,172
Interests in associates	10	21,790	20,040
		845,673	822,391
Current assets			
Inventories	11	150,543	190,032
Trade and other receivables	12	305,542	301,265
Deposits with banks	13	34,631	65,527
Cash and cash equivalents	14	127,388	121,248
		618,104	678,072
Current liabilities			
Trade and other payables	15	259,836	294,561
Interest-bearing borrowings	16	399,377	523,651
Obligations under finance leases	17	3,476	3,676
Loan from a substantial shareholder	22(c)	4,896	4,914
Current taxation	5(b)	895	–
		668,480	826,802
Net current liabilities		(50,376)	(148,730)
Total assets less current liabilities		795,297	673,661

Consolidated Balance Sheet (Unaudited)

at 31 January 2008
(Expressed in Hong Kong dollars)

		At 31 January 2008 \$'000	At 31 July 2007 \$'000
Non-current liabilities			
Interest-bearing borrowings	16	269,555	190,275
Obligations under finance leases	17	1,528	3,297
Loan from a substantial shareholder	22(c)	17,136	19,658
		288,219	213,230
NET ASSETS		507,078	460,431
CAPITAL AND RESERVES			
Share capital	19	43,349	43,349
Reserves	20	459,826	412,997
Total equity attributable to equity shareholders of the Company		503,175	456,346
Minority interests	20	3,903	4,085
TOTAL EQUITY		507,078	460,431

The notes on pages 10 to 36 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 31 January 2008
(Expressed in Hong Kong dollars)

		For the six months ended 31 January	
		2008	2007
		\$'000	\$'000
	Note		
Total equity at 1 August:			
Attributable to			
– Equity shareholders of the Company		456,346	374,414
– Minority interests	20	4,085	5,110
At 1 August		460,431	379,524
Net income for the period recognised directly in equity:			
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	20	30,610	13,586
Net income for the period recognised directly in equity		30,610	13,586
Net profit for the period	20	18,767	31,951
Total recognised income and expense for the period		49,377	45,537
Attributable to:			
– Equity shareholders of the Company		18,949	32,084
– Minority interests		(182)	(133)
		18,767	31,951
Dividends declared and payable to:			
– Equity shareholders of the Company	6, 20	(8,670)	(6,840)
– Minority interests	20	–	(579)
		(8,670)	(7,419)
Movements in equity arising from capital transactions:			
Shares issued under share option scheme		–	2,900
Equity settled share-based transactions	20	5,940	32
		5,940	2,932
Total equity at 31 January		507,078	420,574

The notes on pages 10 to 36 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

for the six months ended 31 January 2008
(Expressed in Hong Kong dollars)

For the six months ended
31 January

	Note	2008 \$'000	2007 \$'000
Cash generated from operations		88,810	51,683
Income tax paid by the subsidiaries in the People's Republic of China ("PRC")		(1,599)	(6,315)
Net cash generated from operating activities		87,211	45,368
Net cash generated from/(used in) investing activities		17,106	(69,323)
Net cash used in financing activities		(101,450)	(33,130)
Net increase/(decrease) in cash and cash equivalents		2,867	(57,085)
Cash and cash equivalents at 1 August	14	120,470	159,347
Effect of foreign exchange rate changes		(171)	2,581
Cash and cash equivalents at 31 January	14	123,166	104,843

The notes on pages 10 to 36 form part of this interim financial report.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2007.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which term collectively includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA, that are effective for accounting periods beginning on or after 1 August 2007. The adoption of these new and revised HKFRSs did not result in significant changes to the accounting policies applied by the Company and the Group in this interim financial report for the periods presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 24).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 July 2007. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 52.

The financial information relating to the financial year ended 31 July 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 July 2007 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 September 2007.

As at 31 January 2008, the Group’s current liabilities exceeded its current assets by approximately \$50,376,000. The directors have evaluated all the relevant facts available to them and are of the opinion that there does not exist any material adverse condition 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, the interim financial report has been prepared on a going concern basis.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 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.

(i) 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

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	For the six months ended 31 January		For the six months ended 31 January		For the six months ended 31 January		For the six months ended 31 January	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover from external customers	501,460	602,532	114,296	123,675	113,012	67,413	728,768	793,620
Segment results	44,356	81,385	5,882	5,693	25,729	17,497	75,967	104,575
Unallocated operating income and expenses							(29,568)	(35,812)
Profit from operations							46,399	68,763
Finance costs							(26,768)	(26,579)
Share of profits less losses of associates							1,630	(4,249)
Income tax							(2,494)	(5,984)
Profit for the period							18,767	31,951
Depreciation and amortisation for the period	29,437	25,077	9,814	9,142	3,643	3,704	42,894	37,923
Unallocated depreciation and amortisation							2,658	3,165
							45,552	41,088



Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SEGMENT REPORTING (CONTINUED)

(ii) Geographical segments

The Group's business participates in six (2007: six) major economic environments.

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

Turnover from external customers is analysed as follows:

	For the six months ended 31 January	
	2008 \$'000	2007 \$'000
PRC (other than Taiwan and Hong Kong)	401,320	474,313
Hong Kong	114,908	178,618
Northern Asia	108,027	51,318
Europe	49,135	35,054
United States of America	34,515	22,829
South East Asia	20,802	31,053
Others	61	435
	728,768	793,620

3 OTHER NET INCOME

	For the six months ended 31 January	
	2008 \$'000	2007 \$'000
Interest income	2,473	4,579
Rental income	4,222	1,515
Change in fair value of forward foreign exchange contracts	9,795	–
Net gain on forward foreign exchange contracts	2,380	–
Net loss on disposal of fixed assets	(125)	(45)
Others	5,170	719
	23,915	6,768

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 PROFIT BEFORE TAXATION

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

	For the six months ended 31 January	
	2008 \$'000	2007 \$'000
(a) Finance costs:		
Interest on bank advances repayable within five years	24,851	26,052
Interest on loan from a substantial shareholder	560	685
Finance charges on obligations under finance leases	219	651
Total borrowing costs	25,630	27,388
Less: Borrowing costs capitalised as construction in progress*	(46)	(1,271)
	25,584	26,117
Other charges	1,184	462
	26,768	26,579

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 7.53% (2007: 7.03%) per annum for construction in progress.

	For the six months ended 31 January	
	2008 \$'000	2007 \$'000
(b) Other items:		
Processing fees	7,457	9,497
Amortisation of interests in leasehold land held for own use under operating leases	254	249
Depreciation		
– other assets	44,290	39,445
– assets held under finance leases	1,008	1,394
Operating lease charges in respect of properties		
– factory and hostel rentals	6,164	5,219
Impairment losses for doubtful debts (reversed)/charged	(226)	1,215
Impairment losses for interests in associates (reversed)/charged	(120)	120
Net foreign exchange (gains)/losses	(744)	3,538

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX

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

	For the six months ended 31 January	
	2008 \$'000	2007 \$'000
Current tax – PRC		
Tax for the period	2,494	5,984

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the six months ended 31 January 2008 and 2007.

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% in 2007 and 18% in 2008.

Subsidiaries of the Company in the PRC were either entitled to income tax exemption or sustained losses for taxation purposes for the six months ended 31 January 2008 except for the following four subsidiaries of the Company in the PRC which are subject to standard or preferential income tax rate as follows:

Name of subsidiary	Period	Income tax rate
V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("VS Zhuhai")	1 August 2006 to 31 December 2006	10.0%
	1 January 2007 to 31 December 2007	15.0%
	1 January 2008 to 31 January 2008	18.0%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2006 to 31 December 2006	7.5%
	1 January 2007 to 31 December 2007	15.0%
	1 January 2008 to 31 January 2008	18.0%
V.S. Industry (Zhuhai) Co., Ltd.	1 August 2006 to 31 December 2006	Exempted
	1 January 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 January 2008	9.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 August 2006 to 31 December 2006	Exempted
	1 January 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 January 2008	9.0%

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 can obtain approval from the relevant tax authorities for a 5% reduction in the income tax rate.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX (CONTINUED)

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

On 15 March 2007, approvals from the relevant tax authorities were obtained. Part of the income tax credit, which amounted 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 \$886,000 was utilised against the income tax expenses for the period ended 31 January 2008.

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 processing agreements, the Providers bear any PRC tax in respect of the Group's relevant production facilities in Shenzhen, the PRC.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which is effective from 1 January 2008. As a result of the new tax law, the income tax rate applicable to the above subsidiaries in the PRC will be gradually increased from its preferential income tax rates to 25% over a five-year transition period commencing from 1 January 2008. Pursuant to the notice on the Implementation Rules of the Grandfather Relief under the new tax law, Guofa (2007) No. 39, issued on 26 December 2007 by the State Council, the applicable income tax rate will be 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from Corporate Income Tax.

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

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

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
PRC income tax payable	895	-

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

5 INCOME TAX (CONTINUED)

(c) Deferred tax assets not recognised

No deferred tax assets in respect of accumulated tax losses of \$41,512,000 (31 July 2007: \$38,742,000) 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.

6 DIVIDENDS

(a) Dividends attributable to the interim period

The Directors do not recommend any payment of interim dividend for the six months ended 31 January 2008 (2007: Nil).

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

Final dividend in respect of the previous financial year, approved and paid during the period, of 1.0 cent (2007: 0.8 cents) per share

For the six months ended 31 January	
2008	2007
\$'000	\$'000
8,670	6,840

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

7 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 \$18,949,000 (2007: \$32,084,000) and the weighted average number of 866,976,000 shares (2007: 848,590,103 shares) in issue during the six months ended 31 January 2008, calculated as follows:

	2008 Number of shares	2007 Number of shares
Issued ordinary shares at 1 August	866,976,000	827,806,022
Effect of share options exercised (note 18)	–	20,784,081
Weighted average number of ordinary shares at 31 January	866,976,000	848,590,103

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$18,949,000 (2007: \$32,084,000) and the weighted average number of ordinary shares of 867,670,340 (2007: 855,102,270) shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares at 31 January	866,976,000	848,590,103
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 18)	694,340	6,512,167
Weighted average number of ordinary shares (diluted) at 31 January	867,670,340	855,102,270

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 FIXED ASSETS

	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 2007	302,475	26,882	798,401	36,179	24,042	4,203	1,192,182	26,205	1,218,387
Exchange adjustments	14,565	766	34,042	1,790	950	101	52,214	1,314	53,528
Additions	1,468	406	25,832	3,111	111	489	31,417	115	31,532
Disposals	-	-	(3,241)	(50)	(963)	-	(4,254)	-	(4,254)
At 31 January 2008	318,508	28,054	855,034	41,030	24,140	4,793	1,271,559	27,634	1,299,193
Accumulated depreciation and amortisation:									
At 1 August 2007	26,159	11,411	338,966	22,061	17,069	-	415,666	2,542	418,208
Exchange adjustments	1,290	213	12,770	975	667	-	15,915	135	16,050
Charge for the period	3,314	1,298	37,698	2,108	880	-	45,298	254	45,552
Written back on disposals	-	-	(1,414)	(47)	(867)	-	(2,328)	-	(2,328)
At 31 January 2008	30,763	12,922	388,020	25,097	17,749	-	474,551	2,931	477,482
Net book value:									
At 31 January 2008	287,745	15,132	467,014	15,933	6,391	4,793	797,008	24,703	821,711
At 31 July 2007	276,316	15,471	459,435	14,118	6,973	4,203	776,516	23,663	800,179

During the six months ended 31 January 2008, the Group acquired items of fixed assets with a cost of \$31,532,000 (31 January 2007: \$46,013,000). Items of fixed assets with a net book value of \$1,926,000 were disposed of during the six months ended 31 January 2008 (31 January 2007: \$498,000), resulting a loss on disposal of \$125,000 (31 January 2007: \$45,000).

At 31 January 2008, certain fixed assets were pledged as security for bank loans (note 16(b)).

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

The net book value of plant and machinery of the Group held under finance leases was \$17,273,000 at 31 January 2008 (31 July 2007: \$23,053,000).

The land use right certificate relating to a land use right with a net book value of \$4,004,000 at 31 January 2008 (31 July 2007: \$3,738,000) has yet to be obtained.

Properties certificates for buildings held for own use with a net book value of \$23,783,000 at 31 January 2008 (31 July 2007: \$21,862,000) have yet to be obtained.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

9 GOODWILL

The Group
positive
goodwill
\$'000

Cost and carrying amount:

At 31 July 2007 and 31 January 2008

2,172

The directors make an assessment on the recoverable amount of goodwill annually and considered that there was no indication of impairment at 31 January 2008.

10 INTERESTS IN ASSOCIATES

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Share of net assets	13,269	11,639
Goodwill	8,521	8,521
	21,790	20,160
Less: impairment loss	-	(120)
	21,790	20,040

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INTERESTS IN ASSOCIATES (CONTINUED)

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.

Name of associate	Form of business structure	Place of incorporation	Place of operation	Particulars of capital	Proportion of ownership interest		Principal activity
					Group's effective interest	Held by subsidiaries	
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 known as VS Industry Vietnam Co., Ltd.) ("VS Vietnam")	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-Ustotor (Zhuhai) Co., Ltd. ("VS-Ustotor")	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

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-Ustotor are 18.9% and 15.3% respectively, by virtue of the significant influence over their management, including participation in the financial and operating policy decisions, they are considered to be associates of the Group.
- (iii) As Wako VS Zhuhai sustained losses for several years, the directors evaluated the business activity and future performance of Wako VS Zhuhai and Wako VS HK at 31 January 2007, and considered that the carrying amounts of interests in Wako VS Zhuhai and Wako VS HK were impaired. Accordingly, the Group recognised in the consolidated income statement an impairment loss of \$120,000 for interests in associates during the period ended 31 January 2007. During the period ended 31 January 2008, Wako VS Zhuhai sustained further losses, thus the Group reversed \$120,000 impairment loss previously recognised and recognised further losses of the same amount.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVENTORIES

(a) Inventories in the consolidated balance sheet (unaudited) comprise:

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Raw materials	70,325	79,394
Work-in-progress	32,769	69,566
Finished goods	47,449	41,072
	150,543	190,032

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

	For the six months ended 31 January	
	2008 \$'000	2007 \$'000
Carrying amount of inventories sold	645,587	669,075
Write down of inventories	2,786	1,219
	648,373	670,294

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Trade receivables	199,453	220,394
Bills receivable	38,834	34,952
Less: allowance for doubtful debts	(1,122)	(2,018)
	237,165	253,328
Other receivables, prepayments and deposits	45,856	42,200
Refundable acquisition deposit	10,853	-
Unrealised gain on derivative financial instruments	11,668	5,737
	305,542	301,265

The Group paid a deposit of \$10,853,000 to an independent third party ("Possible Cooperation Partner"), whose principal businesses include, amongst others, exploration of natural resources in the PRC, for an exclusive right of negotiation in relation to the strategic investment or cooperation between the Possible Cooperation Partner and the Group. If no agreement is reached, the Possible Cooperation Partner shall fully refund the deposit to the Group.

Bills discounted to banks with recourse totalling \$17,308,000 (31 July 2007: \$34,641,000) were included in bills receivable (note 16(b)) as at 31 January 2008.

All of the trade and other receivables are expected to be recovered within one year.

Certain trade receivables have been pledged to banks as security for banking facilities in connection with trade finance (note 15(b)).

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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 at the balance sheet date:

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Within 30 days	143,661	166,100
Over 30 days but within 90 days	70,783	61,925
Over 90 days but within one year	21,080	25,303
Over one year but within two years	1,641	–
	237,165	253,328

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

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movement in the allowance for doubtful debts during the period/year, including both specific and collective loss components, is as follows:

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
At 1 August	2,018	5,142
Impairment loss reversed	(226)	(2,193)
Uncollectible amounts written off	(670)	(931)
At 31 January/31 July	1,122	2,018

At 31 January 2008, the Group's trade debtors and bills receivable of \$1,156,000 (31 July 2007: \$2,339,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the amounts were not expected to be covered. Consequently, a specific allowance for doubtful debts of \$1,122,000 has been recognised as at 31 January 2008 (31 July 2007: \$2,018,000) after considering subsequent settlement and other relevant factors.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Neither past due nor impaired	230,304	245,776
1-3 months past due	5,534	5,062
3 months past due	171	151
	236,009	250,989

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13 DEPOSITS WITH BANKS

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Deposits with banks with original maturity date over three months	271	–
Pledged fixed deposits with banks	34,360	65,527
	34,631	65,527

Pledged fixed deposits with banks have been pledged to banks as security for the bank loans and overdrafts (note 16(b)).

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CASH AND CASH EQUIVALENTS

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Cash at bank and in hand	127,388	121,248
Cash and cash equivalents in the consolidated balance sheet	127,388	121,248
Bank overdrafts (note 16(a))	(4,222)	(778)
Cash and cash equivalents in the consolidated cash flow statement	123,166	120,470

15 TRADE AND OTHER PAYABLES

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Trade payables	162,087	208,364
Bills payable	13,780	–
Accrued expenses and other payables	83,969	86,197
	259,836	294,561

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

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

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Due within 30 days or on demand	70,238	84,343
Due after 30 days but within 90 days	82,082	106,707
Due after 90 days but within 180 days	9,767	17,314
	162,087	208,364

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Trade receivables (note 12)	13,780	–

16 INTEREST-BEARING BORROWINGS

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

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Current:		
Overdrafts		
– secured	4,222	778
Bank loans		
– secured	300,407	378,197
– unsecured	94,748	144,676
	395,155	522,873
	399,377	523,651
Non-current:		
Bank loans		
– secured	269,555	190,275
	668,932	713,926

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTEREST-BEARING BORROWINGS (CONTINUED)

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

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Bills receivable (note 12)	17,308	34,641
Fixed deposits (note 13)	34,360	65,527
Interests in leasehold land held for own use under operating leases with aggregate carrying value (note 8)	18,230	17,559
Buildings held for own use with aggregate carrying value (note 8)	255,632	217,871
Plant and machinery with aggregate carrying value (note 8)	166,129	172,810
	491,659	508,408

Such banking facilities, totalling \$756,949,000 (31 July 2007: \$744,443,000), were utilised to the extent of \$574,184,000 (31 July 2007: \$569,250,000) at 31 January 2008.

- (c) Two 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. As at 31 January 2008 and 31 July 2007, none of the covenants relating to drawn down facilities had been breached.

17 OBLIGATIONS UNDER FINANCE LEASES

At 31 January 2008, the Group had obligations under finance leases repayable as follows:

	At 31 January 2008			At 31 July 2007		
	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	3,476	181	3,657	3,676	378	4,054
After one year but within two years	1,528	20	1,548	3,297	115	3,412
	5,004	201	5,205	6,973	493	7,466



Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 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.

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 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 share 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 share of the Company.

Pursuant to resolution (“Resolutions”) passed on 17 August 2007, the board of the directors of the Company approved the grant of 85,500,000 share option 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 Holding Hong Kong Co., Limited (“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, the Company has granted share options to the Grantees pursuant to the Share Option Scheme, to subscribe for Option Share 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.

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 17 August 2007, 53 eligible participants accepted the offer of options granted by the Company. No further options have been granted since that date.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 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
17 August 2007	–	17 August 2007 to 31 July 2009	9,025	12,350	21,375
	17 August 2007 to 31 October 2007	1 November 2007 to 31 July 2009	9,025	12,350	21,375
	17 August 2007 to 31 January 2008	1 February 2008 to 31 July 2009	9,025	12,350	21,375
	17 August 2007 to 30 April 2008	1 May 2008 to 31 July 2009	9,025	12,350	21,375
			<u>36,100</u>	<u>49,400</u>	<u>85,500</u>

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.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

18 SHARE OPTION SCHEME (CONTINUED)

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

	At 31 January 2008		At 31 July 2007	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period/year	–	–	\$0.18	27,761
Exercised during the period/year	–	–	\$0.18	(27,761)
Granted during the period/year	\$0.323	85,500	–	–
Outstanding at the end of the period/year	\$0.323	85,500	–	–
Exercisable at the end of the period/year	\$0.323	42,750	–	–

The weighted average share price at the date of exercise for options exercised during the period/year was \$Nil (31 July 2007: \$0.34).

The options outstanding at 31 January 2008 had an exercise price of \$0.323 (31 July 2007: Nil) and a weighted average remaining contractual life of 1.5 years (31 July 2007: Nil).

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 SHARE CAPITAL

	At 31 January 2008		At 31 July 2007	
	Number of shares	Amount	Number of shares	Amount
	'000	\$'000	'000	\$'000
Authorised:				
Ordinary shares of \$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid:				
At the beginning of the period/year	866,976	43,349	839,215	41,961
Shares issued under the Share Option Scheme	–	–	27,761	1,388
At the end of the period/year	866,976	43,349	866,976	43,349

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.

Terms of unexpired and unexercised options at balance sheet date

Exercise period	Exercise price	Number of options	Exercise price	Number of options
		At 31 January 2008 '000		At 31 July 2007 '000
17 August 2007 to 31 July 2009	\$0.323	21,375	–	–
1 November 2007 to 31 July 2009	\$0.323	21,375	–	–
1 February 2008 to 31 July 2009	\$0.323	21,375	–	–
1 May 2008 to 31 July 2009	\$0.323	21,375	–	–
		85,500		–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 18 to the interim financial report.



Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

20 RESERVES

	Attributable to equity holders of the Company								
	Share premium \$'000	Contributed surplus \$'000	Foreign	Statutory	Employee	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total \$'000
			exchange	reserve	share-based				
			translation reserve \$'000	fund \$'000	capital reserve \$'000				
At 1 August 2006	67,111	25,094	16,008	22,923	1,254	200,063	332,453	5,110	337,563
Dividend approved in respect of the previous year	-	(6,840)	-	-	-	-	(6,840)	(579)	(7,419)
Shares issued under share option scheme	2,844	-	-	-	(750)	-	2,094	-	2,094
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	13,586	-	-	-	13,586	-	13,586
Equity settled share-based transactions	-	-	-	-	32	-	32	-	32
Profit for the period	-	-	-	-	-	32,084	32,084	(133)	31,951
At 31 January 2007	69,955	18,254	29,594	22,923	536	232,147	373,409	4,398	377,807
Share issued under share option scheme	2,051	-	-	-	(536)	-	1,515	-	1,515
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	20,020	-	-	-	20,020	-	20,020
Appropriation of reserves	-	-	-	6,117	-	(6,117)	-	-	-
Profit for the period	-	-	-	-	-	18,053	18,053	(313)	17,740
At 31 July 2007	72,006	18,254	49,614	29,040	-	244,083	412,997	4,085	417,082
At 1 August 2007	72,006	18,254	49,614	29,040	-	244,083	412,997	4,085	417,082
Dividend approved in respect of the previous year	-	(8,670)	-	-	-	-	(8,670)	-	(8,670)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	30,610	-	-	-	30,610	-	30,610
Equity settled share-based transactions	-	-	-	-	5,940	-	5,940	-	5,940
Profit for the period	-	-	-	-	-	18,949	18,949	(182)	18,767
At 31 January 2008	72,006	9,584	80,224	29,040	5,940	263,032	459,826	3,903	463,729

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2008 not provided for in the interim financial report were as follows:

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Contracted for	15,125	11,119
Authorised but not contracted for	–	253
	15,125	11,372

(b) Operating lease commitments

The Group leases a number of properties under operating leases. The leases typically run for periods from one year to three years with an option to renew the lease upon expiry when all terms are renegotiated. Lease charges of \$6,164,000 (2007: \$5,219,000) were recognised as expenses in the consolidated income statement (unaudited) in respect of operating leases. None of the leases includes contingent rentals.

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

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Within one year	1,646	1,494
After one year but within five years	501	820
	2,147	2,314

Significant leasing arrangements in respect of machinery classified as being held under finance leases and land held under operating leases are described in notes 8 and 17.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

	For the six months ended 31 January	
	2008 \$'000	2007 \$'000
Sales to associates	–	949
Sales to a substantial shareholder	19,198	13
Sales to minority shareholders of VSA(HK)	13,495	16,748
	32,693	17,710
Interest paid and payable to a substantial shareholder (Note 22(c))	560	685
Royalty fee paid and payable to a minority shareholder of VSA(HK)	623	473
Technical advisory fee paid and payable to a minority shareholder of VSA(HK)	1,052	–
Operating lease charges paid to a company controlled by a director	4,462	4,087
Operating lease charges received and receivable from an associate	492	463
Purchase of raw materials from an associate	359	1,510
Management fee paid and payable to a company controlled by a director	322	295
Sub-contracting fee paid and payable to a substantial shareholder	–	43
Sub-contracting fee paid and payable to associates	–	237
Sub-contracting fee paid and payable to a company controlled by the family member of a director	3,352	–
Dividend paid to minority shareholders of VSA(HK)	–	579

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.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 January 2008 \$'000	At 31 July 2007 \$'000
Amounts due from minority shareholders of VSA(HK)	1,976	2,011
Amount due from a company controlled by a director	3,468	2,549
Amounts due from associates	4,812	4,982
Amount due from a substantial shareholder	9,103	68
	19,359	9,610

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

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

	At 31 January 2008		At 31 July 2007	
	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	300	-	8,250	-
Amount due to a company controlled by a director	311	-	49	-
Amount due to a company controlled by the family member of a director	1,398	-	680	-
Amounts due to associates	802	-	265	-
Amount due to a minority shareholder of VSA(HK)	79	-	79	-
Amount due to a substantial shareholder - current portion	1,045	4,896	616	4,914
- non-current portion	-	17,136	-	19,658
	3,935	22,032	9,939	24,572

* Pursuant to the 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 (2007: 5%) on the outstanding balance.

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.



Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

23 POST BALANCE SHEET EVENTS

Equity disposal of two associates

On 23 February 2008, the Group entered into two equity disposal agreements with Wako (Hong Kong) Co., Limited (the "Buyer") to dispose of its 18.9% equity interests in Wako VS HK and 35.1% equity interests in Wako VS Zhuhai to the Buyer.

The total consideration receivable by the Group in connection with these transactions amounted to \$5,435,000, to be satisfied in cash. At the end of the period, the carrying value of the investment was nil.

Deposit agreement

In addition to the deposit agreement stated in note 12, on 25 February 2008, the Company entered into another deposit agreement ("Deposit Agreement") with an independent third party (who, so far as the Directors are aware after making reasonable enquiries, is independent of, and is not connected with, the Directors, the chief executives or the substantial shareholders of the Company and its subsidiaries or any of their respective associates) ("Possible Cooperation Partner") in relation to a proposed investment ("Proposed Investment") by the Company to invest in a joint venture company ("JV Company") established in the PRC. The Possible Cooperation Partner is the Chinese party of the JV Company.

Pursuant to the Deposit Agreement, the Company will pay a refundable deposit amounting to \$10,853,000 to the Possible Cooperation Partner to show the sincerity of the Company's intention to invest in the JV Company. The principal business of the JV Company is exploration of natural resources in Heilongjiang Province in the PRC.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 JANUARY 2008

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ending 31 July 2008 and which have not been adopted in this interim financial report.

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 Group's results of operations and financial position.

In addition, *HKFRS 8, Operating segments*, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

25 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 20 March 2008.

Management Discussion and Analysis of Results of Operations

OVERVIEW

The six months ended 31 January 2008 under review was a very challenging time for the manufacturing sector in China with rising production costs and operating expenses coupled with the appreciating Renminbi (“RMB”) against United States (“US”) dollars.

The Group’s turnover reduced by 8.17% to HK\$728.77 million in the period under review, compared to HK\$793.62 million in the corresponding period last year. This was largely due to the shifting of certain product lines by certain customers whose product pricing is market sensitive to other lower-cost countries in Asia.

However, our associated company in Vietnam has benefited from some of these reallocations of production requirements by the customers.

The Group’s gross profit declined from HK\$123.33 million of the corresponding period last year to HK\$84.14 million. The Group’s gross profit margin also showed a dip from 15.54% of the corresponding period last year to 11.55% mainly due to higher production costs.

In light of those difficult conditions, the management is contented that the Group still managed to record a profit attributable to shareholders of HK\$18.95 million for the period as compared to HK\$32.08 million of the corresponding period last year. The Group recorded basic earnings per share of HK2.19 cents, compared to HK3.78 cents of the corresponding period last year.

BUSINESS AND FINANCIAL REVIEW

The performance of the Group in various business segments – *plastic injection and moulding, assembling of electronics products, and mould design and fabrication business* for the six months ended 31 January 2008 is described below.

Plastic injection and moulding business

Plastic injection moulding business generated HK\$501.46 million, contributing 68.81% to the Group’s turnover as compared to HK\$602.53 million and 75.92% respectively for the corresponding period last year due to loss of certain product lines to other more cost competitive manufacturers in the region.

The segment margin reduced from 13.51% to 8.85% and recorded a total segment result of HK\$44.36 million as compared to HK\$81.39 million in the corresponding period last year.

Management Discussion and Analysis of Results of Operations

Assembling of electronics products business

This segment contributed HK\$114.30 million during the six months under review compared to HK\$123.68 million in the previous corresponding period.

Meanwhile, the Group continued to see increased sales of printed circuit board for electronic products using surface mounting technologies in the period under review. This was due to our strong relationships with existing customers who had confidence in our high quality services as well as timely delivery.

This segment contributed a segment result of HK\$5.88 million for the period under review compared to HK\$5.69 million of the corresponding period last year.

Mould design and fabrication business

The mould design and fabrication business was the star performer of the Group achieving a growth of 67.65% over the corresponding period, recording turnover of HK\$113.01 million as compared to HK\$67.41 million of the corresponding period last year. The increased turnover was primarily generated from the portfolio of regular customers who work closely with us.

This segment reported a segment result of HK\$25.73 million, representing an increase of 47.03%, as compared to HK\$17.50 million in the corresponding period last year. However, the segment margin decreased slightly from 25.96% to 22.77% due to the higher costs during the period under review.

Distribution costs and administrative expenses

For the six months under review, the Group's distribution costs reduced by 0.71% year-on-year to HK\$18.10 million, from HK\$18.23 million in the corresponding period last year despite the drop in sales of 8.17%. The distribution costs remained comparable to that of the corresponding period last year mainly due to increase in labour cost as well as transportation related costs.

Meanwhile, the Group's administrative expenses increased by 1.61% to HK\$43.67 million in the six months under review as compared to HK\$42.98 million in the corresponding period last year. The Group has recognised part of the fair value of share options granted amounting to HK\$5.94 million during the six months under review out of the total amount of HK\$6.56 million.

Management Discussion and Analysis of Results of Operations

Finance costs

The Group's finance costs remained comparable to the previous corresponding period. The increase in interest rate was compensated by the reduction of bank borrowings.

Other net income

Other net income recorded HK\$23.92 million in the period under review as compared to HK\$6.77 million previously. The increased contribution was mainly due to the realised and unrealised gains on forward foreign exchange contracts amounting to HK\$2.38 million and HK\$9.80 million respectively and income tax refund in respect of reinvestment of profit of HK\$5.36 million.

Future Prospects

The manufacturing industry will continue to face challenges in its operating environment in China. To minimise the impact, the Group will strive to enhance its automation to increase productivity and to reduce cost. With regard to the appreciation of RMB against US dollar, the Group will monitor the trend closely and make use of any available financial instruments to hedge the foreign exchange risk.

The Group will continue to strengthen its marketing and promotion of providing a complete set of one-stop services to customers, from tool and mould design to injection and product assembly, as opposed to being a single-service provider. The Group will also focus its efforts on winning contracts to manufacture complete products and undertake turnkey projects, rather than produce product subsections and product components. The Group is currently negotiating turnkey projects with potential customers who are major players in automobile sector in Europe.

The Group's associate in Vietnam, suitably located in an emerging economy, is expected to benefit from its cost competitive advantage and the rising manufacturing activities in Vietnam.

At the same time, in order to broaden the Group's earnings base, the Group plans to seek business opportunities in the natural resources sector in China.

Other Information

LIQUIDITY AND FINANCIAL RESOURCES

At the end of the period, the Group had cash and bank deposits of HK\$162.02 million (2007: HK\$186.78 million) of which HK\$34.36 million (2007: HK\$65.53 million) were pledged to the banks for banking facilities granted to the Group. The cash and bank deposits were denominated in US dollars, RMB and Hong Kong dollars at the ratio of 66.46%, 30.35% and 3.19% respectively.

The Group's total borrowings at 31 January 2008 amounted to HK\$695.97 million (2007: HK\$745.47 million), inclusive of a loan from substantial shareholder of HK\$22.03 million (2007: HK\$24.57 million). The borrowings were mainly utilised for working capital purpose with interest rates ranging from 4.75% per annum to 9.75% per annum. The amounts of borrowings dominated in US dollars, RMB and Hong Kong dollars were HK\$323.47 million, HK\$165.67 million and HK\$206.83 million respectively.

The Group's net current liabilities have improved to HK\$50.38 million at 31 January 2008 as compared to HK\$148.73 million as at 31 July 2007. This reduction was mainly due to repayment of bank loans and conversion of certain short term loans to long term loans.

As at 31 January 2008, the Group's current ratio and gearing ratio (total net interest-bearing borrowings to total assets) had improved to 0.92 (31 July 2007: 0.82) and 36.48% (31 July 2007: 37.23%) respectively.

CHARGES ON ASSETS

As at 31 January 2008, certain assets of the Group with aggregate carrying value of HK\$505.44 million (2007: HK\$508.41 million) were pledged to secure banking facilities and trade financing facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in RMB and US dollars. The Group's policy is to match the currency mix of its loan portfolio with that of its revenue.

In view of the foreign currency risk exposure, the Group has entered into certain forward contracts to hedge against the trade receivables denominated in US Dollars. As at 31 January 2008, the notional amounts of the outstanding forward exchange contracts were US\$36,000,000, which will expire within one year.

During the six months under review, the Group recorded realised and unrealised gains on forward foreign exchange contracts amounting to HK\$2.38 million and HK\$9.80 million respectively (see note 3).



Other Information

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2008, the Group had a total number of 7,369 (31 July 2007: 8,166) employees. On top of that, 735 (31 July 2007: 1,110) persons were engaged by the Providers under processing arrangements. During the six months under review, there was no significant changes in the Group's remuneration policies for its employees.

Employees' costs of the Group (excluding Directors' emoluments and wages paid to employees employed under the processing arrangements with the Providers) for the six months under review amounted to HK\$98.98 million (31 January 2007: HK\$94.83 million). The Group's remuneration packages are maintained at competitive levels and the Group's employees are rewarded on a performance basis and according to the experience of the individual employees.

The Group has adopted a provident fund scheme for its employees in Hong Kong 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 required by the relevant laws, rules and regulations of the PRC.

The Company also implements a share option scheme to provide incentives to eligible participants to participate in the Group's success.

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

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

AUDIT COMMITTEE

The Board established the Audit Committee on 20 January 2002 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review the Group's financial reporting process, internal controls system and financial statements.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow.

The Audit Committee has reviewed the Group's interim financial statements for the six months ended 31 January 2008 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto has been made.

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 January 2008, 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	47,800,775 Shares (L) (Notes 3 and 11)	5.51%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–
Gan Sem Yam	The Company	Beneficial owner	26,037,500 Shares (L) (Notes 4 and 11)	3.00%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	–

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Name of Director (Note 1)	The Company/ name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	39,600,775 Shares (L) (Notes 5 and 11)	4.57%
	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	6,802,000 Shares (L) (Notes 6 and 11)	0.78%
Gan Tiong Sia	The Company	Beneficial owner	27,400,775 Shares (L) (Notes 7 and 11)	3.16%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	1,000,000 Shares (L) (Notes 8 and 11)	0.12%
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	1,000,000 Shares (L) (Notes 9 and 11)	0.12%
Tang Sim Cheow	The Company	Beneficial owner	500,000 Shares (L) (Notes 10 and 11)	0.06%

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.
2. The letter "L" represents the Director's interest in the shares and underlying shares of the Company or its associated corporations.
3. 8,600,000 of these Shares were Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Beh Kim Ling by the Company under the Share Option Scheme, details of which are set out in note 11 below.
4. 8,600,000 of these Shares were Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Gan Sem Yam by the Company under the Share Option Scheme, details of which are set out in note 11 below.
5. 8,600,000 of these Shares were Shares that would be allotted and issued upon exercise in full of the share options granted to Madam Gan Chu Cheng by the Company under the share option scheme, details of which are set out in note 11 below.
6. 6,800,000 of these Shares were Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Zhang Pei Yu by the Company under the share option scheme, details of which are set out in note 11 below.
7. 2,000,000 of these Shares were Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Gan Tiong Sia by the Company under the share option scheme, details of which are set out in note 11 below.
8. 500,000 of these Shares were Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Diong Tai Pew by the Company under the share option scheme, details of which are set out in note 11 below.
9. 500,000 of these Shares were Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Cheung Kwan Hung, Anthony by the Company under the Share Option Scheme, details of which are set out in note 11 below.
10. These were Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Tang Sim Cheow by the Company under the Share Option Scheme, details of which are set out in note 11 below.

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes: (continued)

11. On 17 August 2007, share options were granted by the Company under its Share Option Scheme to, among other eligible participants, the Directors. All these share options, which remained outstanding as at 31 January 2008, are exercisable at a subscription price of HK\$0.323 per Share during the subscription periods set out below. Details of the share options granted are as follows:

Name of Director	Number of Shares that would be allotted and issued	Exercise period
Beh Kim Ling	(i) 2,150,000	17 August 2007 to 31 July 2009
	(ii) 2,150,000	1 November 2007 to 31 July 2009
	(iii) 2,150,000	1 February 2008 to 31 July 2009
	(iv) 2,150,000	1 May 2008 to 31 July 2009
Gan Sem Yam	(i) 2,150,000	17 August 2007 to 31 July 2009
	(ii) 2,150,000	1 November 2007 to 31 July 2009
	(iii) 2,150,000	1 February 2008 to 31 July 2009
	(iv) 2,150,000	1 May 2008 to 31 July 2009
Gan Chu Cheng	(i) 2,150,000	17 August 2007 to 31 July 2009
	(ii) 2,150,000	1 November 2007 to 31 July 2009
	(iii) 2,150,000	1 February 2008 to 31 July 2009
	(iv) 2,150,000	1 May 2008 to 31 July 2009
Zhang Pei Yu	(i) 1,700,000	17 August 2007 to 31 July 2009
	(ii) 1,700,000	1 November 2007 to 31 July 2009
	(iii) 1,700,000	1 February 2008 to 31 July 2009
	(iv) 1,700,000	1 May 2008 to 31 July 2009
Gan Tiong Sia	(i) 500,000	17 August 2007 to 31 July 2009
	(ii) 500,000	1 November 2007 to 31 July 2009
	(iii) 500,000	1 February 2008 to 31 July 2009
	(iv) 500,000	1 May 2008 to 31 July 2009
Diong Tai Pew	(i) 125,000	17 August 2007 to 31 July 2009
	(ii) 125,000	1 November 2007 to 31 July 2009
	(iii) 125,000	1 February 2008 to 31 July 2009
	(iv) 125,000	1 May 2008 to 31 July 2009
Cheung Kwan Hung, Anthony	(i) 125,000	17 August 2007 to 31 July 2009
	(ii) 125,000	1 November 2007 to 31 July 2009
	(iii) 125,000	1 February 2008 to 31 July 2009
	(iv) 125,000	1 May 2008 to 31 July 2009
Tang Sim Cheow	(i) 125,000	17 August 2007 to 31 July 2009
	(ii) 125,000	1 November 2007 to 31 July 2009
	(iii) 125,000	1 February 2008 to 31 July 2009
	(iv) 125,000	1 May 2008 to 31 July 2009

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of share options granted to the Directors which remained outstanding as at 31 January 2008 are given in the section headed "Share Option Scheme" in this report.

Other than as disclosed above, at no time during the period ended 31 January 2008 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 22 in this interim report, 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 period under review or at any time during the period under review.

Other Information

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

As at 31 January 2008, the following Shareholders, other than a director or chief executive of the Company, had an interest or a short position in the Shares and underlying shares in the Company 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
V.S. Industry Berhad ("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%

Note:

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

SHARE OPTION SCHEME

The following table discloses details of share options held by the grantees and movements in such holdings during the six months ended 31 January 2008:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Outstanding at 17 August 2007	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2008 (Note 3)
<i>Directors</i>								
Beh Kim Ling	17 August 2007	17 August 2007 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 November 2007 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 February 2008 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 May 2008 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
Gan Sem Yam	17 August 2007	17 August 2007 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 November 2007 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 February 2008 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 May 2008 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000

Other Information

SHARE OPTION SCHEME (continued)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Outstanding at 17 August 2007	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2008 (Note 3)
<i>Directors (continued)</i>								
Gan Chu Cheng	17 August 2007	17 August 2007 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 November 2007 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 February 2008 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
		1 May 2008 to 31 July 2009	0.323	2,150,000	-	-	-	2,150,000
Zhang Pei Yu	17 August 2007	17 August 2007 to 31 July 2009	0.323	1,700,000	-	-	-	1,700,000
		1 November 2007 to 31 July 2009	0.323	1,700,000	-	-	-	1,700,000
		1 February 2008 to 31 July 2009	0.323	1,700,000	-	-	-	1,700,000
		1 May 2008 to 31 July 2009	0.323	1,700,000	-	-	-	1,700,000
Gan Tiong Sia	17 August 2007	17 August 2007 to 31 July 2009	0.323	500,000	-	-	-	500,000
		1 November 2007 to 31 July 2009	0.323	500,000	-	-	-	500,000
		1 February 2008 to 31 July 2009	0.323	500,000	-	-	-	500,000
		1 May 2008 to 31 July 2009	0.323	500,000	-	-	-	500,000
Diong Tai Pew	17 August 2007	17 August 2007 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 November 2007 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 February 2008 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 May 2008 to 31 July 2009	0.323	125,000	-	-	-	125,000
Cheung Kwan Hung, Anthony	17 August 2007	17 August 2007 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 November 2007 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 February 2008 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 May 2008 to 31 July 2009	0.323	125,000	-	-	-	125,000



Other Information

SHARE OPTION SCHEME (continued)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Outstanding at 17 August 2007	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2008 (Note 3)
<i>Directors (continued)</i>								
Tang Sim Cheow	17 August 2007	17 August 2007 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 November 2007 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 February 2008 to 31 July 2009	0.323	125,000	-	-	-	125,000
		1 May 2008 to 31 July 2009	0.323	125,000	-	-	-	125,000
				36,100,000	-	-	-	36,100,000
<i>Other employees</i>								
(Note 2)	17 August 2007	17 August 2007 to 31 July 2009	0.323	12,350,000	-	-	-	12,350,000
		1 November 2007 to 31 July 2009	0.323	12,350,000	-	-	-	12,350,000
		1 February 2008 to 31 July 2009	0.323	12,350,000	-	-	-	12,350,000
		1 May 2008 to 31 July 2009	0.323	12,350,000	-	-	-	12,350,000
				49,400,000	-	-	-	49,400,000
				85,500,000	-	-	-	85,500,000

Notes:

1. The average closing price of the Shares during the 5 trading days immediately before 17 August 2007, being the date of the grant of share options was HK\$0.323. The closing price of the Shares on 17 August 2007 was HK\$0.275.
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 six months ended 31 January 2008.

The share options granted were fully vested as at the date of this interim report.

Other Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 of the Listing Rules throughout the period except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

A.2.1 of the Code stipulates that 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 A.2.1 of the Code as part of Mr. Beh Kim Ling’s duties overlap with those of the managing director, who is in practice the chief executive officer. Mr. Beh Kim Ling as the founder of the Group has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group’s operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Directors during the period with the SD Code and Appendix 10 to the Listing Rules.

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

Macau, Special Administrative Region of the PRC
20 March 2008

Independent Review Report



**Independent review report to the board of directors of
V.S. International Group Limited**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 36, which comprises the consolidated balance sheet of V.S. International Group Limited and its subsidiaries as of 31 January 2008 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 January 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
20 March 2008