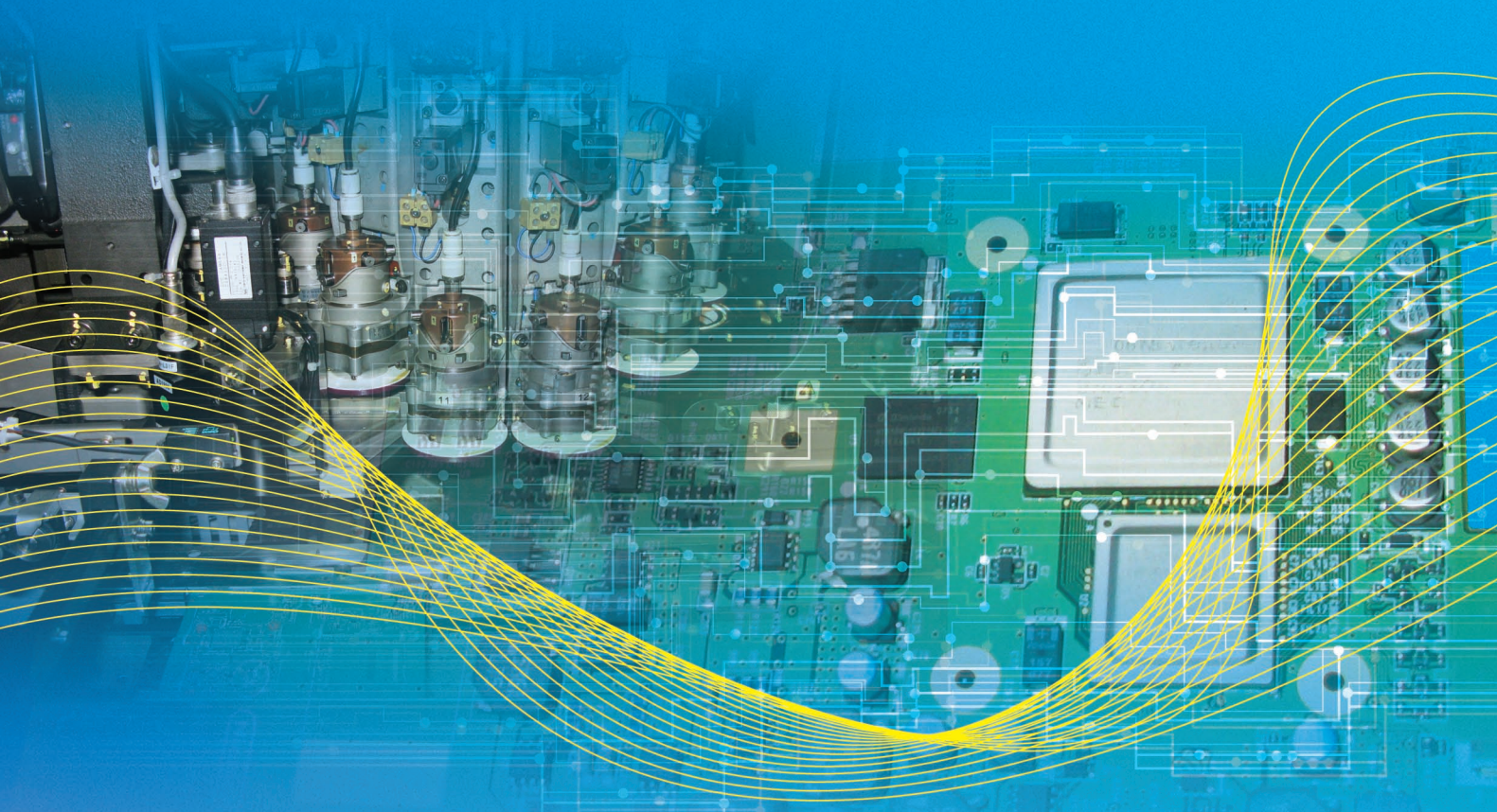




# V.S. International Group Limited 威鉞國際集團有限公司

(incorporated in the Cayman Islands with limited liability)  
(stock code: 1002)



## Interim Report 2008/09

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# Corporate Information

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## 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.  
Industrial & Commercial Bank of China Ltd.  
Agricultural Bank of China

## 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**  
**V.S. Industry Holding 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.**  
**Qingdao GP Precision Mold 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

# Corporate Information

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## **ASSOCIATED COMPANIES**

### **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

### **VS Industry Vietnam Joint Stock Company**

Quevo Industrial Park, Vanduong Commune

Quevo District

Bacninh Province

Vietnam

Tel. No: (84) 241 634 300

Fax No: (84) 241 634 308

# Introduction

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The board (“Board”) of directors (“Directors”) of V.S. International Group Limited (“Company”) submits herewith the interim financial report of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 January 2009, which has not been audited by the auditors of the Group, KPMG, but has been reviewed by KPMG and the audit committee (“Audit Committee”) of the Board.

# Consolidated Income Statement (Unaudited)

for the six months ended 31 January 2009  
(Expressed in Hong Kong dollars)

	Note	For the six months ended 31 January	
		2009 \$'000	2008 \$'000
<b>Turnover</b>	2	<b>706,119</b>	728,768
Cost of sales		<b>(625,534)</b>	(644,627)
<b>Gross profit</b>		<b>80,585</b>	84,141
Other net (loss)/income	3	<b>(6,217)</b>	24,659
Distribution costs		<b>(18,284)</b>	(18,104)
Administrative expenses		<b>(44,606)</b>	(44,417)
Other operating income		<b>-</b>	120
<b>Profit from operations</b>		<b>11,478</b>	46,399
Finance costs	4(a)	<b>(23,939)</b>	(26,768)
Share of profits less losses of associates		<b>68</b>	1,630
<b>(Loss)/profit before taxation</b>	4	<b>(12,393)</b>	21,261
Income tax	5(a)	<b>(2,262)</b>	(2,494)
<b>(Loss)/profit for the period</b>		<b>(14,655)</b>	18,767
<b>Attributable to:</b>			
Equity shareholders of the Company	20	<b>(14,377)</b>	18,949
Minority interests	20	<b>(278)</b>	(182)
<b>(Loss)/profit for the period</b>		<b>(14,655)</b>	18,767
<b>(Losses)/earnings per share</b>	7		
Basic		<b>(1.66) cents</b>	2.19 cents
Diluted		<b>(1.66) cents</b>	2.18 cents

The notes on pages 11 to 37 form part of this interim financial report.

# Consolidated Balance Sheet (Unaudited)

at 31 January 2009  
(Expressed in Hong Kong dollars)

		At 31 January 2009 \$'000	At 31 July 2008 \$'000
<b>Non-current assets</b>			
Fixed assets			
– Property, plant and equipment		900,767	821,111
– Interests in leasehold land held for own use under operating leases		25,192	25,533
	8	<b>925,959</b>	846,644
Goodwill	9	2,172	2,172
Interests in associates	10	21,916	21,848
		<b>950,047</b>	870,664
<b>Current assets</b>			
Inventories	11	169,312	163,493
Trade and other receivables	12	352,397	347,158
Deposits with banks	13	67,353	56,159
Cash and cash equivalents	14	121,667	115,626
		<b>710,729</b>	682,436
<b>Current liabilities</b>			
Trade and other payables	15	304,416	319,531
Interest-bearing borrowings	16(a)	482,338	354,316
Obligations under finance leases	17	26,306	3,270
Loan from a substantial shareholder	22(c)	4,870	4,899
Current taxation	5(b)	2,804	883
		<b>820,734</b>	682,899
<b>Net current liabilities</b>		<b>(110,005)</b>	(463)
<b>Total assets less current liabilities</b>		<b>840,042</b>	870,201



# Consolidated Balance Sheet (Unaudited)

at 31 January 2009  
(Expressed in Hong Kong dollars)

		At 31 January 2009 \$'000	At 31 July 2008 \$'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	16(a)	278,502	318,613
Obligations under finance leases	17	31,197	–
Loan from a substantial shareholder	22(c)	12,610	14,697
Deferred tax liabilities	5(c)	1,626	2,046
		<b>323,935</b>	335,356
<b>NET ASSETS</b>		<b>516,107</b>	534,845
<b>CAPITAL AND RESERVES</b>			
Share capital	19	43,349	43,349
Reserves	20	469,273	487,733
<b>Total equity attributable to equity shareholders of the Company</b>		<b>512,622</b>	531,082
<b>Minority interests</b>	20	<b>3,485</b>	3,763
<b>TOTAL EQUITY</b>		<b>516,107</b>	534,845

The notes on pages 11 to 37 form part of this interim financial report.

# Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 31 January 2009  
(Expressed in Hong Kong dollars)

		For the six months ended 31 January	
		2009	2008
		\$'000	\$'000
	Note		
<b>Total equity at 1 August</b>			
Attributable to:			
– Equity shareholders of the Company		531,082	456,346
– Minority interests	20	3,763	4,085
		<b>534,845</b>	460,431
<b>Net (loss)/income for the period recognised directly in equity:</b>			
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	20	(4,083)	30,610
Net (loss)/income for the period recognised directly in equity		(4,083)	30,610
<b>Net (loss)/profit for the period</b>	20	(14,655)	18,767
<b>Total recognised income and expense for the period</b>		(18,738)	49,377
Attributable to:			
– Equity shareholders of the Company		(18,460)	49,559
– Minority interests	20	(278)	(182)
		(18,738)	49,377
Dividends declared and payable to equity shareholders of the Company	6, 20	–	(8,670)
<b>Movements in equity arising from capital transactions:</b>			
Equity settled share-based transactions	20	–	5,940
<b>Total equity at 31 January</b>		<b>516,107</b>	507,078

The notes on pages 11 to 37 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement (Unaudited)

for the six months ended 31 January 2009  
(Expressed in Hong Kong dollars)

	Note	For the six months ended 31 January	
		2009 \$'000	2008 \$'000
Cash (used in)/generated from operations		(5,506)	88,810
Income tax paid by the subsidiaries in the People's Republic of China ("PRC")		(749)	(1,599)
Net cash (used in)/generated from operating activities		(6,255)	87,211
Net cash (used in)/generated from investing activities		(53,218)	17,106
Net cash generated from/(used in) financing activities		42,325	(101,450)
Net (decrease)/increase in cash and cash equivalents		(17,148)	2,867
Cash and cash equivalents at 1 August	14	110,061	120,470
Effect of foreign exchange rate changes		680	(171)
Cash and cash equivalents at 31 January	14	93,593	123,166

The notes on pages 11 to 37 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

The 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 2008.

The HKICPA has issued a number of new Interpretations and an amendment to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for accounting periods of the Group beginning on or after 1 August 2008. However, none of these developments are relevant to the Group’s operations. 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 and income and expenses on a year to date basis. Actual results may differ from these estimates.

The 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 2008. 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 review report to the Board of Directors is included on page 52.

The financial information relating to the financial year ended 31 July 2008 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 2008 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 September 2008.

The Group incurred a loss of \$14,655,000 for the six months ended 31 January 2009, and as at 31 January 2009, the Group’s current liabilities exceeded its current assets by \$110,005,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 January 2009, the Group had undrawn total banking facilities of \$44,698,000 for working capital purposes. In addition, the Group obtained new banking facilities of \$30,000,000 subsequent to the period end and is currently in the process of negotiating with a major bank to convert certain short term bank loans to long term bank loans in order to cope with any shortfall of working capital. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records and relationship with banks which would enhance the Group’s ability on renewing the current bank loans upon expiry or converting short term bank borrowings to long term bank borrowings or securing adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the interim financial 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	:	manufacturing and sale of plastic moulded products and parts
Assembling of electronic products	:	assembling and sale of electronic products, including processing fees generated from assembling of electronic products
Mould design and fabrication	:	manufacturing and sale of plastic injection moulds

	Plastic injection and moulding For the six months ended 31 January		Assembling of electronic products For the six months ended 31 January		Mould design and fabrication For the six months ended 31 January		Consolidated For the six months ended 31 January	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Turnover from external customers	523,721	501,460	110,212	114,296	72,186	113,012	706,119	728,768
Segment result	43,152	44,356	2,821	5,882	12,378	25,729	58,351	75,967
Unallocated operating income and expenses							(46,873)	(29,568)
Profit from operations							11,478	46,399
Finance costs							(23,939)	(26,768)
Share of profits less losses of associates							68	1,630
Income tax							(2,262)	(2,494)
(Loss)/profit for the period							(14,655)	18,767
Depreciation and amortisation for the period	30,595	29,437	10,492	9,814	5,986	3,643	47,073	42,894
Unallocated depreciation and amortisation							1,491	2,658
							48,564	45,552

# 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 (2008: 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	
	2009	2008
	\$'000	\$'000
PRC (other than Taiwan and Hong Kong)	434,252	401,320
Hong Kong	108,730	114,908
Northern Asia	77,129	108,027
United States of America	59,212	34,515
Europe	14,372	49,135
South East Asia	12,424	20,802
Others	–	61
	<b>706,119</b>	<b>728,768</b>

## 3 OTHER NET (LOSS)/INCOME

	For the six months ended 31 January	
	2009	2008
	\$'000	\$'000
Interest income	2,721	2,473
Rentals receivable from operating leases	3,350	4,222
Net foreign exchange (losses)/gains	(2,802)	744
Change in fair value of forward foreign exchange contracts	(5,237)	9,795
Net (loss)/gain on forward foreign exchange contracts	(3,469)	2,380
Net loss on disposal of fixed assets	(532)	(125)
Tax refund on reinvested profit	–	5,355
Others	(248)	(185)
	<b>(6,217)</b>	<b>24,659</b>

# Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 (LOSS)/PROFIT BEFORE TAXATION

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

	For the six months ended 31 January	
	2009 \$'000	2008 \$'000
(a) Finance costs:		
Interest on bank advances repayable within five years	21,164	24,851
Interest on loan from a substantial shareholder	485	560
Finance charges on obligations under finance leases	59	219
Total borrowing costs	21,708	25,630
Less: Borrowing costs capitalised as construction in progress *	(63)	(46)
	21,645	25,584
Other charges	2,294	1,184
	<b>23,939</b>	<b>26,768</b>

\* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 5.83% (2008: 7.53%) per annum for construction in progress.

	For the six months ended 31 January	
	2009 \$'000	2008 \$'000
(b) Other items:		
Processing fees	-	7,457
Amortisation of interests in leasehold land held for own use under operating leases	208	254
Depreciation		
- other assets	45,979	44,290
- assets held under finance leases	2,377	1,008
Operating lease charges in respect of properties		
- factory and hostel rentals	4,697	6,164
Impairment of doubtful debts charged/(reversed)	244	(226)
Impairment of interests in associates reversed	-	(120)

# 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	
	2009 \$'000	2008 \$'000
<b>Current tax – PRC</b>		
Provision for the period	4,268	2,494
Over-provision in respect of prior years	(1,598)	–
	2,670	2,494
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(408)	–
	2,262	2,494

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 2009 and 2008.

Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, except for certain subsidiaries of the Company in the PRC which are foreign investment enterprises that are granted certain tax relief, under which they are entitled to PRC income tax exemption for two years commencing from the first profit making year and to a 50% relief from PRC income tax for the following three years. After the expiry of the tax relief period, the subsidiaries' profits are subject to PRC income tax at the rate of 18% in 2008 and 20% in 2009.



# 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)

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 2009 except for the following five 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 2007 to 31 December 2007	10.0%
	1 January 2008 to 31 December 2008	18.0%
	1 January 2009 to 31 January 2009	20.0%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 December 2008	18.0%
	1 January 2009 to 31 January 2009	20.0%
V.S. Industry (Zhuhai) Co., Ltd. ("VSI (Zhuhai)")	1 August 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 December 2008	9.0%
	1 January 2009 to 31 January 2009	20.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 August 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 December 2008	9.0%
	1 January 2009 to 31 January 2009	10.0%
Qingdao GP Precision Mold Plastics Co., Ltd.	1 February 2008 to 31 January 2009	25.0%

In January 2009, management reassessed 2007 and 2008 income tax exposure of VS Zhuhai and reversed unutilised income tax provisions of \$985,000 and \$613,000 respectively as management considered the income tax for the relevant periods has already been settled in full in accordance with the tax returns issued by the relevant tax authority. Management considered the balance of income tax payable as at 31 January 2009 to be adequate and not excessive.

The export sales made by VS Zhuhai exceeded 70% of its total turnover for the twelve months ended 31 December 2007. 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 in January 2008 and a tax credit amounting to \$2,003,000 was recognised as a reduction of the income tax expenses incurred in the fiscal year 2008. Part of the income tax credit, which amounted to \$1,686,000, was already recognised as a reduction of income tax expenses during the financial year ended 31 July 2008. The remaining tax credit of \$317,000 was utilised against the income tax expenses for the six months ended 31 January 2009.

# 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)

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 was 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 is to be gradually increased from the current 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 is 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 is levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax rate applies to dividend payments by VS Zhuhai, VS Industry (Shenzhen) Co., Ltd. and VSI (Zhuhai), as their holding companies are incorporated in Hong Kong and there is a tax treaty arrangement between the PRC and Hong Kong. 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 are exempted from any withholding taxes.

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 2009 \$'000	At 31 July 2008 \$'000
PRC income tax payable	2,804	883

# Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 INCOME TAX (CONTINUED)

### (c) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated balance sheet (unaudited) and the movements during the period are as follows:

	Withholding tax on retained earnings of PRC subsidiaries \$'000
Deferred tax arising from:	
At 1 August 2007	–
Charged to profit or loss	2,046
	<hr/>
At 31 July 2008	2,046
	<hr/> <hr/>
At 1 August 2008	2,046
Exchange adjustments	(12)
Credited to profit or loss	(408)
	<hr/>
At 31 January 2009	1,626
	<hr/> <hr/>

### (d) Deferred tax assets not recognised

No deferred tax assets in respect of accumulated tax losses of \$52,693,000 (31 July 2008: \$40,534,000) have been recognised as it is not probable that future taxable profits against which the losses can be utilised will be generated. The tax losses incurred by subsidiaries incorporated in the PRC expire five years after they are incurred. In addition, certain other deferred tax assets or liabilities have not been recognised as the net effect of the deductible or temporary differences is 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 2009 (2008: Nil).

# Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 DIVIDENDS (CONTINUED)

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

	For the six months ended 31 January	
	2009 \$'000	2008 \$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of Nil (2008: 1.0 cent) per share	-	8,670

## 7 (LOSSES)/EARNINGS PER SHARE

- (a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$14,377,000 (2008: profit of \$18,949,000) and the weighted average number of 866,976,000 shares (2008: 866,976,000 shares) in issue during the six months ended 31 January 2009.

- (b) Diluted (losses)/earnings per share

The calculation of diluted (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of \$14,377,000 (2008: profit of \$18,949,000) and the weighted average number of ordinary shares of 866,976,000 (2008: 867,670,340) shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

	2009 Number of shares	2008 Number of shares
Weighted average number of ordinary shares at 31 January	<b>866,976,000</b>	866,976,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 18)	-	694,340
Weighted average number of ordinary shares (diluted) at 31 January	<b>866,976,000</b>	867,670,340

# Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 8 FIXED ASSETS

	Buildings held for own use	Leasehold improvements	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost:</b>									
At 1 August 2008	337,928	28,884	916,594	45,354	25,226	4,260	1,358,246	28,771	1,387,017
Exchange adjustments	(1,894)	(99)	(4,670)	(251)	(126)	(13)	(7,053)	(151)	(7,204)
Additions	-	-	131,913	2,043	2,097	1,201	137,254	-	137,254
Transfer	-	-	1,646	-	-	(1,646)	-	-	-
Disposals	(3,287)	-	(6,815)	(803)	(602)	-	(11,507)	-	(11,507)
At 31 January 2009	332,747	28,785	1,038,668	46,343	26,595	3,802	1,476,940	28,620	1,505,560
<b>Accumulated depreciation and amortisation:</b>									
At 1 August 2008	36,310	14,376	438,276	28,944	19,229	-	537,135	3,238	540,373
Exchange adjustments	(202)	(33)	(1,884)	(146)	(93)	-	(2,358)	(18)	(2,376)
Charge for the period	3,842	1,173	40,233	2,176	932	-	48,356	208	48,564
Written back on disposals	-	-	(5,665)	(693)	(602)	-	(6,960)	-	(6,960)
At 31 January 2009	39,950	15,516	470,960	30,281	19,466	-	576,173	3,428	579,601
<b>Net book value:</b>									
At 31 January 2009	292,797	13,269	567,708	16,062	7,129	3,802	900,767	25,192	925,959
At 31 July 2008	301,618	14,508	478,318	16,410	5,997	4,260	821,111	25,533	846,644

During the six months ended 31 January 2009, the Group acquired items of fixed assets with a cost of \$137,254,000 (31 January 2008: \$31,532,000). Items of fixed assets with a net book value of \$4,547,000 were disposed of during the six months ended 31 January 2009 (31 January 2008: \$1,926,000), resulting in a loss on disposal of \$532,000 (31 January 2008: \$125,000).

At 31 January 2009, certain fixed assets had been pledged as security for bank loans (note 16(b)).

The Group leases certain production plant and machinery under five finance leases expiring in one to three years. At the end of the respective lease terms, the ownership of the assets will be transferred to the Group. None of the leases includes contingent rentals.

The net book value of plant and machinery of the Group held under finance leases was \$70,805,000 at 31 January 2009 (31 July 2008: \$17,062,000).

# Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 GOODWILL

Positive  
goodwill  
\$'000

### Cost and carrying amount:

At 31 July 2008 and 31 January 2009

2,172

The Directors make an assessment on the recoverable amount of goodwill annually and considered that there was no impairment at 31 January 2009.

## 10 INTERESTS IN ASSOCIATES

	At 31 January 2009 \$'000	At 31 July 2008 \$'000
Share of net assets	13,395	13,327
Goodwill	8,521	8,521
	<b>21,916</b>	21,848

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	
VS Industry Vietnam Joint Stock Company ("VS Vietnam")	Limited liability company	Vietnam	Vietnam	Legal capital of US\$10,200,000	25.0%	25.0%	Manufacturing and sale 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 (i))	15.3%	Manufacturing and sale of metal stamped parts and components

Note:

- (i) Although the Group's equity interest in VS-Usotor is 15.3%, as the Group has the ability to exercise significant influence over the management of VS-Usotor, including participating in the financial and operating policy decisions, it is considered to be an associate of the Group.

# 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 2009 \$'000	At 31 July 2008 \$'000
Raw materials	89,838	67,557
Work-in-progress	31,137	58,979
Finished goods	48,337	36,957
	<b>169,312</b>	<b>163,493</b>

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

	For the six months ended 31 January	
	2009 \$'000	2008 \$'000
Carrying amount of inventories sold	624,121	642,053
Write down of inventories	1,413	2,574
	<b>625,534</b>	<b>644,627</b>

# Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 TRADE AND OTHER RECEIVABLES

	At 31 January 2009 \$'000	At 31 July 2008 \$'000
Trade receivables	257,192	235,367
Bills receivable (note (i))	22,796	44,145
Less: allowance for doubtful debts	(1,702)	(1,541)
	<b>278,286</b>	277,971
Other receivables, prepayments and deposits	60,404	44,040
Acquisition deposits (note (ii))	13,707	25,147
	<b>352,397</b>	347,158

Notes:

- (i) Bills discounted to banks with recourse totalling \$7,057,000 (31 July 2008: \$15,536,000) were included in bills receivable (note 16(b)) as at 31 January 2009.
- (ii) The Group had entered into an agreement with independent third parties ("Possible Cooperation Partners") to invest \$24,442,000, as a capital injection, to acquire a 51% equity interest of Heilongjiang Savoy Minerals Co., Limited ("Heilongjiang Savoy"), which is registered in the PRC, the principal activity of which is exploration for natural resources in Heilongjiang Province in the PRC. The agreement will only be effective when the capital injection and verification process is complete. As at 31 January 2009, the Group has injected the first instalment of \$8,035,000 into Heilongjiang Savoy.

The Group subsequently entered into a supplementary agreement with the Possible Cooperation Partners on 2 March 2009. Pursuant to the supplementary agreement, the period for the requirements of the agreement to be fulfilled was extended to 31 July 2009. Since the capital injection and verification had not been completed as at 31 January 2009, the amount paid of \$8,035,000 is included within acquisition deposits as at 31 January 2009.

In addition to the above, the Group also paid a refundable deposit of \$5,672,000 to an independent third party for an exclusive right of negotiation in relation to exploration for natural resources in Inner Mongolia, the PRC. The deposit is refundable if no agreement is reached.

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

Certain bills 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 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 2009 \$'000	At 31 July 2008 \$'000
Current	210,575	251,316
Less than one month past due	37,465	19,712
One to three months past due	24,638	4,741
More than three months but less than twelve months past due	5,608	2,202
	67,711	26,655
	<b>278,286</b>	<b>277,971</b>

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

### (b) Impairment of trade and bills receivable

Impairment losses in respect of trade 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 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 2009 \$'000	At 31 July 2008 \$'000
At 1 August	1,541	2,018
Impairment loss recognised	244	271
Uncollectible amounts written off	(83)	(748)
At 31 January/31 July	<b>1,702</b>	<b>1,541</b>

At 31 January 2009, the Group's trade and bills receivable of \$1,702,000 (31 July 2008: \$1,541,000) 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 recovered. Consequently, a specific allowance for doubtful debts of \$1,702,000 has been recognised as at 31 January 2009 (31 July 2008: \$1,541,000) 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 and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 January 2009 \$'000	At 31 July 2008 \$'000
Neither past due nor impaired	210,575	251,316
Less than one month past due	37,465	19,712
One to three months past due	24,638	4,741
More than three months but less than twelve months past due	5,608	2,202
	<b>67,711</b>	26,655
	<b>278,286</b>	277,971

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 2009 \$'000	At 31 July 2008 \$'000
Deposits with banks with original maturity date over three months	4,721	9,365
Pledged fixed deposits with banks	62,632	46,794
	<b>67,353</b>	56,159

Pledged fixed deposits with banks have been pledged to banks as security for trade finance facilities (note 15(b)) and 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 2009 \$'000	At 31 July 2008 \$'000
Cash at bank and in hand	121,667	115,626
Cash and cash equivalents in the balance sheet	121,667	115,626
Bank overdrafts (note 16(a))	(28,074)	(5,565)
Cash and cash equivalents in the consolidated cash flow statement	93,593	110,061

## 15 TRADE AND OTHER PAYABLES

	At 31 January 2009 \$'000	At 31 July 2008 \$'000
Trade payables	149,948	206,742
Bills payable	24,407	21,985
Accrued expenses and other payables	124,824	90,211
Unrealised loss on derivative financial instruments	5,237	593
	304,416	319,531

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

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

	At 31 January 2009 \$'000	At 31 July 2008 \$'000
Due within 30 days or on demand	70,362	72,411
Due after 30 days but within 90 days	93,467	107,970
Due after 90 days but within 180 days	10,526	48,346
	174,355	228,727

# 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 2009 \$'000	At 31 July 2008 \$'000
Bills receivable (note 12)	5,671	13,689
Fixed deposits (note 13)	16,017	–
	<b>21,688</b>	<b>13,689</b>

## 16 INTEREST-BEARING BORROWINGS

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

	At 31 January 2009 \$'000	At 31 July 2008 \$'000
<b>Current:</b>		
Overdrafts		
– secured	28,074	5,565
Bank loans		
– secured	313,983	233,192
– unsecured	140,281	115,559
	<b>454,264</b>	<b>348,751</b>
	<b>482,338</b>	<b>354,316</b>
<b>Non-current:</b>		
Bank loans		
– secured	278,502	318,613
	<b>760,840</b>	<b>672,929</b>

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 2009 \$'000	At 31 July 2008 \$'000
Bills receivable (note 12)	7,057	15,536
Fixed deposits (note 13)	46,615	46,794
Interests in leasehold land held for own use under operating leases with aggregate carrying value (note 8)	25,192	21,883
Plant and machinery with aggregate carrying value (note 8)	57,817	–
Buildings held for own use with aggregate carrying value (note 8)	289,563	272,947
	<b>426,244</b>	<b>357,160</b>

The above-mentioned secured banking facilities, totalling \$626,931,000 (31 July 2008: \$582,518,000), were utilised to the extent of \$620,559,000 (31 July 2008: \$557,370,000) at 31 January 2009. The Group's banking facilities also included certain unsecured banking facilities, totalling \$102,075,000 (31 July 2008: \$205,339,000), which were utilised to the extent of \$63,749,000 (31 July 2008: \$43,072,000) at 31 January 2009.

- (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 2009 and 31 July 2008, none of the covenants relating to drawn down facilities had been breached.

## 17 OBLIGATIONS UNDER FINANCE LEASES

At 31 January 2009, the Group had obligations under finance leases repayable as follows:

	At 31 January 2009			At 31 July 2008		
	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	26,306	6,106	32,412	3,270	87	3,357
After one year but within two years	21,922	1,768	23,690	–	–	–
After two years but within five years	9,275	214	9,489	–	–	–
	<b>31,197</b>	<b>1,982</b>	<b>33,179</b>	–	–	–
	<b>57,503</b>	<b>8,088</b>	<b>65,591</b>	3,270	87	3,357

# 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 shareholders on 20 January 2002 whereby Directors are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to take up share 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 share 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 resolution (“Resolutions”) passed on 17 August 2007, the Board of the Directors approved the grant of 85,500,000 share options (“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 eight Directors of the Company (four executive directors, one non-executive director and 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 Options pursuant to the Share Option Scheme to subscribe for shares of \$0.05 each (“Option Share”) in the share capital of the Company.

The main purpose of the Share Option Scheme is to enable the Company to grant share 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		Total '000
			Directors '000	Employees '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 2009		At 31 July 2008	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period/year	\$0.323	85,500	–	–
Granted during the period/year	–	–	\$0.323	85,500
Lapsed during the period/year	\$0.323	(3,864)	–	–
Outstanding at the end of the period/year	\$0.323	81,636	\$0.323	85,500
Exercisable at the end of the period/year	\$0.323	81,636	\$0.323	85,500

The weighted average share price at the date of exercise for Options exercised during the period/year was nil (31 July 2008: Nil).

The Options outstanding at 31 January 2009 had an exercise price of \$0.323 (31 July 2008: \$0.323) and a weighted average remaining contractual life of 0.5 year (31 July 2008: one year).



# Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 SHARE CAPITAL

	At 31 January 2009		At 31 July 2008	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
<b>Authorised:</b>				
Ordinary shares of \$0.05 each	4,000,000	200,000	4,000,000	200,000
<b>Issued and fully paid:</b>				
At the beginning of the period/year and 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	At 31 January 2009		At 31 July 2008	
	Exercise price	Number of options '000	Exercise price	Number of options '000
17 August 2007 to 31 July 2009	\$0.323	20,409	\$0.323	21,375
1 November 2007 to 31 July 2009	\$0.323	20,409	\$0.323	21,375
1 February 2008 to 31 July 2009	\$0.323	20,409	\$0.323	21,375
1 May 2008 to 31 July 2009	\$0.323	20,409	\$0.323	21,375
		<b>81,636</b>		<b>85,500</b>

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 shareholders of the Company								
	Share premium	Capital reserve	Foreign	Statutory	Employee	Retained profits	Total	Minority interests	Total
			exchange	reserve	share-based				
			translation reserve	fund	capital reserve				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
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 (note 6(b))	-	(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
Equity settled share-based transactions	-	-	-	-	616	-	616	-	616
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	34,776	-	-	-	34,776	-	34,776
Appropriation of reserves	-	-	-	10,095	-	(10,095)	-	-	-
Loss for the period	-	-	-	-	-	(7,485)	(7,485)	(140)	(7,625)
At 31 July 2008	72,006	9,584	115,000	39,135	6,556	245,452	487,733	3,763	491,496
At 1 August 2008	72,006	9,584	115,000	39,135	6,556	245,452	487,733	3,763	491,496
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	(4,083)	-	-	-	(4,083)	-	(4,083)
Share options lapsed during the period	-	-	-	-	(296)	296	-	-	-
Loss for the period	-	-	-	-	-	(14,377)	(14,377)	(278)	(14,655)
At 31 January 2009	72,006	9,584	110,917	39,135	6,260	231,371	469,273	3,485	472,758

# 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 2009 not provided for in the interim financial report were as follows:

	At 31 January 2009 \$'000	At 31 July 2008 \$'000
Contracted for	23,090	120,514
Authorised but not contracted for	-	-
	<b>23,090</b>	<b>120,514</b>

### (b) Operating lease commitments

The Group leases a number of properties under operating leases. The leases typically run for periods from one year to three years with an option to renew the lease upon expiry when all terms are renegotiated. Lease charges of \$4,697,000 (2008: \$6,164,000) were recognised as expenses in the unaudited consolidated income statement 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 2009 \$'000	At 31 July 2008 \$'000
Within one year	1,214	1,796

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	
	2009 \$'000	2008 \$'000
Sales to a substantial shareholder	7,116	19,198
Sales to minority shareholders of VSA(HK)	7,997	13,495
	<b>15,113</b>	32,693
Interest paid and payable to a substantial shareholder (note 22(c))	485	560
Royalty fee paid and payable to a minority shareholder of VSA(HK)	578	623
Technical advisory fee paid and payable to a minority shareholder of VSA(HK)	1,113	1,052
Operating lease charges paid to a company controlled by a director	3,221	4,462
Operating lease charges received and receivable from an associate	–	492
Purchase of raw materials from an associate	369	359
Management fee paid and payable to a company controlled by a director	233	322
Sub-contracting fee paid and payable to a company controlled by the family member of a director	2,997	3,352

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 2009 \$'000	At 31 July 2008 \$'000
Amounts due from minority shareholders of VSA(HK)	2,576	1,444
Amount due from a company controlled by a director	5,049	5,803
Amounts due from associates	5,047	5,157
Amount due from a substantial shareholder	3,269	2,570
	<b>15,941</b>	<b>14,974</b>

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 2009		At 31 July 2008	
	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	-	1,095	-
Amount due to a company controlled by a director	111	-	33	-
Amount due to a company controlled by the family member of a director	1,740	-	2,432	-
Amounts due to associates	135	-	272	-
Amount due to a minority shareholder of VSA(HK)	557	-	552	-
Amount due to a substantial shareholder - current portion	1,247	4,870	1,744	4,899
- non-current portion	-	12,610	-	14,697
	<b>4,090</b>	<b>17,480</b>	<b>6,128</b>	<b>19,596</b>

\* 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 (2008: 5%) on the outstanding balance. Interest paid and payable to the substantial shareholder, amounted to \$485,000 (2008: \$560,000) for the six months ended 31 January 2009.

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 COMPARATIVE FIGURES

The net foreign exchange gains/losses included within “administrative expenses” in the unaudited consolidated income statement for the six months ended 31 January 2008 has been reclassified to “other net (loss)/income” to conform with the current year’s presentation. The Directors consider that the revised presentation reflects more appropriately the nature of these balances.

## 24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 31 JANUARY 2009

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 six months ended 31 January 2009 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 result in a restatement of the Group’s results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 1	Presentation of financial statements	1 January 2009
Revised HKAS 23	Borrowing costs	1 January 2009
Revised HKFRS 3	Business combinations	1 July 2009
Amendments to HKFRS 2	Share-based payment-vesting conditions and cancellations	1 January 2009
Amendments to HKAS 27	Consolidated and separate financial statements	1 July 2009

## 25 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 26 March 2009.

# Management Discussion and Analysis of Results of Operations

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## **BUSINESS OVERVIEW**

The world economies are experiencing an economy cycle in a downward spiral. The major consumers in overseas markets particularly those in the United States of America and European countries are likewise downsizing and triggering liquidity concerns. As a result, the consumers' spending have become more cautious and conservative.

At the backdrop of these economic environments, the Group experienced cut back in orders by existing customers. The results of the Group were further aggravated by losses incurred on the forward foreign exchange contracts which have been used to hedge the foreign currency exposures.

## **FINANCIAL REVIEW**

The Group's principal activities include plastic injection and moulding, assembling of electronic products, and mould design and fabrication business. For the six months ended 31 January 2009, the Group's sales and gross profit were HK\$706.12 million and HK\$80.59 million compared to the previous corresponding period of HK\$728.77 million and HK\$84.14 million respectively. This represented a decline of 3.11% and 4.22% respectively. As a consequence, the Group recorded a loss attributable to equity shareholders of HK\$14.38 million as compared to the previous corresponding period of profit attributable to equity shareholders of HK\$18.95 million.

### ***Plastic injection and moulding business***

The Group's core business continues to be plastic injection and moulding for the six months ended 31 January 2009. This segment achieved an increase in turnover to HK\$523.72 million as compared to HK\$501.46 million in the previous corresponding period, representing an increment of 4.44%. This segment accounted for 74.17% of the Group's total turnover.

Although the segment continued to be profitable during the period under review, it recorded a lower segment margin of HK\$43.15 million or 8.24% mainly due to the lower average price on orders as demanded by the existing customers.

### ***Assembling of electronic products business***

This segment's turnover amounted to HK\$110.21 million which was comparable to HK\$114.30 million in the previous corresponding period, representing a slight drop of 3.58%. The decrease in turnover was primarily due to a drop in the number of orders placed by existing customers. Correspondingly, the segment's margin also slipped to HK\$2.82 million or 2.56% during the period under review.

# Management Discussion and Analysis of Results of Operations

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Similarly, the Group witnessed a fall in turnover and segment margin of printed circuit boards for electronic products using surface mounting technologies. It experienced a decrease during the period under review owing to fewer orders from existing customers in the region.

## ***Mould design and fabrication business***

The mould design and fabrication segment likewise registered a lower turnover amounting to HK\$72.19 million as compared to HK\$113.01 million in the previous corresponding period. The fall in turnover was mainly attributable to the unfavourable market conditions as well as declined in the number of orders from overseas customers.

As a result of fewer orders, this segment's margin also decreased to HK\$12.38 million or 17.15% as compared to HK\$25.73 million or 22.77% in the previous corresponding period. This was mainly due to the necessity of competitive pricing in the market and the inelasticity of the skilled labour cost.

## ***Distribution costs and administrative expenses***

For the period under review, the Group's distribution costs were HK\$18.28 million which was comparable to HK\$18.10 million in the corresponding period. Similarly, the Group's administrative expenses remained at about the same level as in the previous corresponding period.

## ***Finance costs***

The Group's finance costs registered a lower figure of HK\$23.94 million as compared to HK\$26.77 million in previous corresponding period. That was attributable to the lower interest rate during the period under review as compared to the corresponding period last year.

## ***Other net loss/income***

During the period under review, the Group incurred other net loss of HK\$6.22 million as compared to other net income of HK\$24.66 million in the previous corresponding period. This was largely due to the realised loss on forward foreign exchange contracts of HK\$3.47 million and unrealised loss on forward foreign exchange contracts of HK\$5.24 million as compared to the realised and unrealised gains on forward foreign exchange contracts of HK\$2.38 million and HK\$9.80 million respectively and the income tax refund in respect of reinvestment of profit amounted to HK\$5.36 million during the previous corresponding period.

## ***Share of profits less losses of associates***

For the period under review, the Group's share of associates' profits less losses amounted to HK\$0.07 million as compared to HK\$1.63 million in the previous corresponding period. This was largely due to lower profit achieved by the associate in Vietnam.



# Future Prospects

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The dynamic and challenging environment resulting from the financial tsunami will continue until the confidence of the global consumers restore. Many countries have attempted to address the situation with sizeable economic stimulus packages to bring about an early economic recovery which are expected to benefit the industry.

The Directors have taken measures to cope with these challenges which include streamlining the Group's operations and production costs. Those measures also include, among others, reduction of workforce, salary reduction and negotiation with suppliers for better terms and conditions. In addition, the Directors are in the process of discussing with a major banker to convert the short term borrowings to long term borrowings.

The Group is extensively implementing marketing strategy with emphasis on good relationships with customers and suppliers. The management believes that these are the essential ingredients towards delivery of a long term competitive advantage. The Group is also focusing on widening its international client base and continual introduction of wide-ranging integrated manufacturing services.

The Directors acknowledge the challenging economic environment in the next six months. Despite all measures taken by the Directors to cope with the difficult situations, the Group's performance in the next six months is dependent on the speed and strength of the recovery of the global economic environment.

## LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations and investing activities through a combination of shareholders' funds, internally generated cash flows and additional borrowing from banks in Hong Kong as well as in the People's Republic of China ("PRC").

As at 31 January 2009, the Group had cash and bank deposits of HK\$189.02 million (31 July 2008: HK\$171.79 million) of which HK\$46.62 million (31 July 2008: HK\$46.79 million) was pledged to banks for banking facilities granted to the Group. The cash and bank deposits were denominated in United States ("US") dollars, Renminbi ("RMB") and Hong Kong dollars in the proportion of 67.65%, 30.50% and 1.85% respectively.

The Group's total interest bearing borrowings was HK\$835.82 million (31 July 2008: HK\$695.80 million), mainly consisting of bank borrowings of HK\$760.84 million (31 July 2008: HK\$672.93 million) and a loan from a substantial shareholder of HK\$17.48 million (31 July 2008: HK\$19.60 million). These borrowings were utilised for capital expenditure and working capital purposes with interest rates ranging from 3.64% per annum to 8.20% per annum. The amounts of borrowings denominated in US dollars, RMB and Hong Kong dollars amounted to HK\$412.91 million, HK\$135.73 million and HK\$287.18 million respectively. Among the total interest bearing borrowings as at 31 January 2009, 13.31% of borrowings are at fixed interest rates.

The Group's gearing ratio represented by the net interest bearing borrowings over the Group's total assets as at 31 January 2009 was 38.95% (31 July 2008: 33.74%).

## CHARGES ON ASSETS

As at 31 January 2009, certain assets of the Group with aggregate carrying value of HK\$447.93 million (31 July 2008: HK\$370.85 million) were pledged to secure bank borrowings and trade financing facilities granted to the Group.

## FOREIGN EXCHANGE EXPOSURE

The Group's exposure to foreign exchange rate fluctuations during the period under review including turnover, purchases and borrowings, was denominated in US dollars, Japanese Yen and RMB. The Group's policy is to match the currency mix of its loan portfolio and foreign currency payments with that of its revenue.

In view of the foreign currency risk exposure, the Group has entered into certain forward foreign exchange contracts to hedge against the trade receivables denominated in US dollars. As at 31 January 2009, the notional amounts of the outstanding forward foreign exchange contracts were US\$14.26 million, which will expire by April 2009.

During the period under review, the Group reported a net loss on forward foreign exchange contracts of HK\$3.47 million and change in fair value of forward foreign exchange contracts of HK\$5.24 million (see note 3 to the interim financial report). These were mainly the result of the appreciation of US dollar against RMB.

# Other Information

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## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 January 2009, the Group had a total of 5,593 employees (31 July 2008: 7,786) and did not make any significant changes to the Group's remuneration policies for its employees.

Employees' cost of the Group (excluding Directors' emoluments) for the period under review amounted to HK\$109.98 million (31 January 2008: HK\$98.98 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 employee.

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 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, SALE OR REDEMPTION 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 report for the six months ended 31 January 2009 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.

## DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 January 2009, 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 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 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%

## **DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (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 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 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 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 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 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 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 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 OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (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, inclusive of the Directors. All these share options, which remained outstanding as at 31 January 2009, 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

## **DIRECTORS' 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 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 2009 are given in the section headed "Share Option Scheme" in this interim report.

Other than as disclosed above, at no time during the six months ended 31 January 2009 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 to the interim financial 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 2009, 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 2009:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Outstanding at 1 August 2008	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2009 (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

## SHARE OPTION SCHEME (continued)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Outstanding at 1 August 2008	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2009 (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 1 August 2008	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2009 (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
Other employees (Note 2)	17 August 2007	17 August 2007 to 31 July 2009	0.323	12,350,000	-	-	(966,000)	11,384,000
		1 November 2007 to 31 July 2009	0.323	12,350,000	-	-	(966,000)	11,384,000
		1 February 2008 to 31 July 2009	0.323	12,350,000	-	-	(966,000)	11,384,000
		1 May 2008 to 31 July 2009	0.323	12,350,000	-	-	(966,000)	11,384,000
				49,400,000	-	-	(3,864,000)	45,536,000
				85,500,000	-	-	(3,864,000)	81,636,000

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 2009.

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

## **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*

Hong Kong  
26 March 2009

# Review Report

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## 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 6 to 37, which comprises the consolidated balance sheet of V.S. International Group Limited and its subsidiaries as of 31 January 2009, 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 the 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 enquiries, 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 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

### EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which describes that the Group incurred a loss of HK\$14,655,000 for the six-month period ended 31 January 2009, and as at 31 January 2009, the Group's current liabilities exceeded its current assets by HK\$110,005,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the renewal of the current bank loans upon expiry and/or the conversion of short term bank loans to long term bank loans or securing adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. The interim financial report does not include any adjustments that would result from the failure to obtain or renew such banking facilities.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 March 2009