V.S. International Group Limited
威鋮國際集團有限公司

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

Annual Report 2008/09

Contents

Corporate Profile

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

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

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

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

Corporate Structure

As of 25 September 2009

Principal Activities:

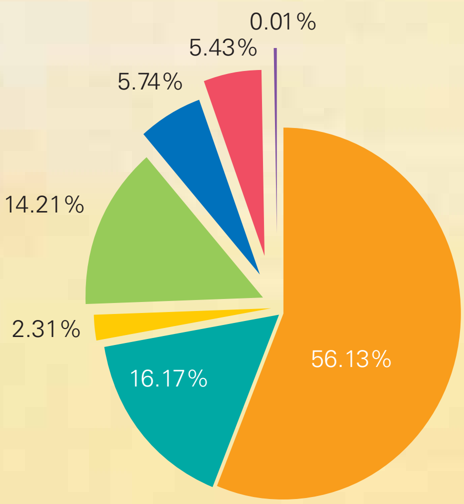
1. Investment holding
2. Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
3. Manufacturing and selling of plastic moulded products and parts
4. Assembling and selling of electronic products, parts and components
5. Manufacturing and selling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

Financial Highlights

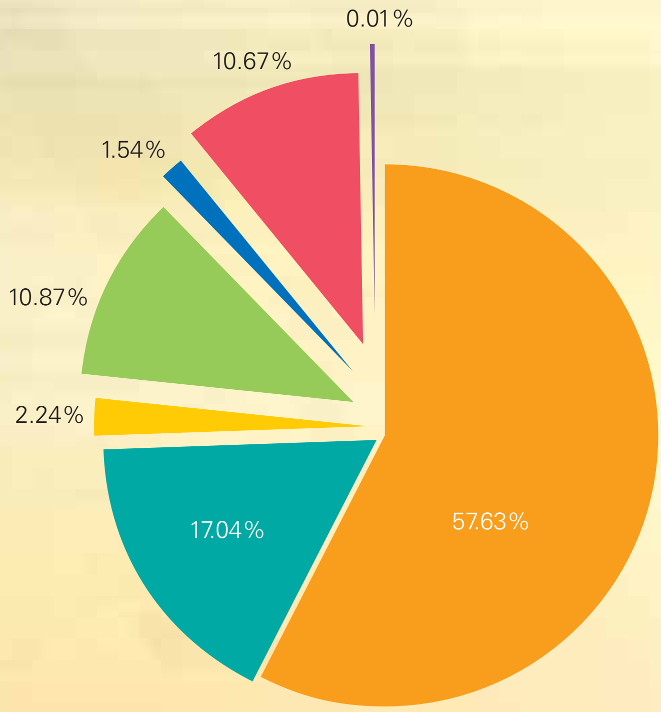
Key Financial Data	**2009**	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total equity	**464,321**	534,845	460,431	379,524	329,804
Total assets	**1,516,031**	1,553,100	1,500,463	1,447,670	1,466,387
Net borrowings	**530,158**	524,010	558,696	551,511	567,484
Capital expenditure	**157,137**	63,698	100,629	86,841	82,824
Gearing ratio (net)(%)	**34.97%**	33.74%	37.23%	38.10%	38.70%
Finance costs over turnover (%)	**3.95%**	3.47%	3.68%	3.81%	3.72%
Inventory turnover days	**48**	48	54	50	64
Trade and bills receivable turnover days	**75**	74	62	63	66
Trade and bills payable turnover days	**68**	68	60	60	73

Sales Breakdown by Geographical Locations

- PRC (other than Taiwan and Hong Kong)
- Hong Kong
- Northern Asia
- Europe
- South East Asia
- United States of America
- Others

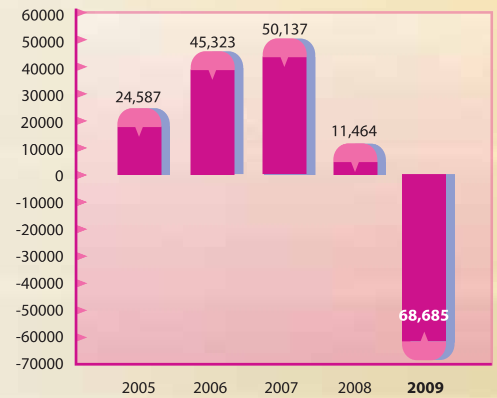


2008



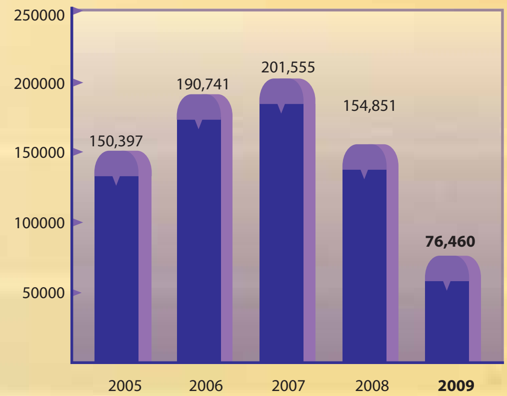
2009

(Loss)/profit Attributable to Equity Shareholders (HK$'000)

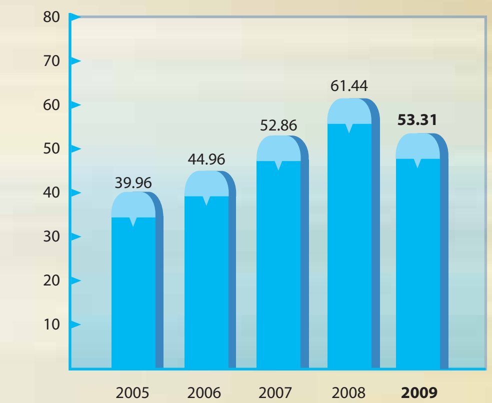


EBITDA (HK$'000)

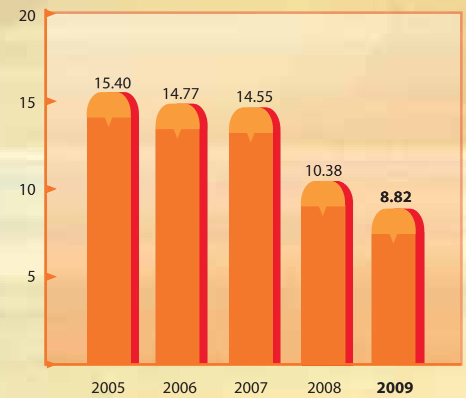
(Earnings before interest, tax, depreciation and amortisation)



Net Tangible Assets Per Share (HK cents)



Gross Profit Margin (%)



Sales Breakdown by Business Segments

(HK$'000)	2009	2008	2007	2006	2005
Plastic injection and moulding	**801,290**	981,289	1,131,878	1,114,554	1,005,676
Assembling of electronic products	**254,947**	211,949	225,506	177,191	161,069
Mould design and fabrication	**142,592**	180,985	137,907	110,515	60,164

Chairman's Statement

Dear Shareholders,

On behalf of the board ("Board") of directors ("Directors") of the Company, I hereby present the Company's annual report ("Annual Report") together with the consolidated financial statements of the Group for the financial year ended 31 July 2009.

BUSINESS REVIEW

The financial year 2009 was a year like no other in our history. It comprised two radically different halves. In the first half of the year, the Group registered turnover of HK$706.12 million, a drop of 3.11% as compared to HK$728.77 million in the preceding corresponding period. With signs of distress in the world economy and extremely difficult second half year, the Group registered turnover of HK$492.71 million, representing a decrease of 30.22% as compared to the first half. The revenue deceleration was amplified by the full effect of the loss of one of the key customers who moved its business operations to other region where overheads are lower.

The Group maintained focus on managing its working capital and liquidity. The purchasing department adhered to the principle of purchasing raw materials in accordance with the customers' actual orders and the credit department closely monitored the collection of accounts receivable. As at 31 July 2009, inventory and accounts receivable of the Group were reduced by HK$58.61 million as compared to that of the preceding financial year end. To improve liquidity, the Group has taken proactive actions to negotiate with its major banker to reschedule its term loan facilities and managed to extend the repayment of HK$316.50 million and the first quarterly instalment is payable in November 2010.

In addition to seeking new opportunities to broaden the client base and reduce the impact of reliance on a single major customers, an important feature of the year is the retention of key customers. Retaining and enhancing these relationships and adding new customers are key parts of our long term strategy. This will be achieved by providing high quality products and customer services that cater for customers' needs at the right price. During the financial year under review, the Group has secured some sizeable new customers for assembly of electronic products which will bring positive contributions to the Group's turnover in the financial year ending 31 July 2010.

One of our long term strategies therefore is to strengthen our competitive edge and business opportunities offering higher profitability in the long run. The Company has continued to invest in automation to increase productivity and target volume orders.

FINANCIAL RESULTS

The Group's turnover for the financial year under review was HK$1,198.83 million compared to HK$1,374.22 million in the previous financial year, representing a decline of 12.76%. The Group's gross profit margin also registered a drop from 10.38% to 8.82%, while the Group's gross profit decreased from HK$142.66 million to HK$105.76 million during the financial year under review. As a result, the Group incurred a loss attributable to equity shareholders of HK$68.69 million as compared to a profit of HK$11.46 million in the previous financial year.

DIVIDENDS

The Board does not recommend any dividend payment for the financial year ended 31 July 2009 (2008: HK$ nil) at the forthcoming annual general meeting of the Company.

CORPORATE DEVELOPMENTS

In view of the uncertainty of the world economic condition, the Group has taken steps to streamline its operations and re-align its production capacity with the customers' demand. In the process, the Group ceased its operations in Shenzhen in December 2008.

In June 2009, the Group established a new subsidiary company, V.S. Electronics (Zhuhai) Co., Ltd which was in line with the Group's strategies to manufacture complete products and undertake a turnkey projects for its original equipment manufacturer ("OEM") customers.

On 19 June 2008, 黑龍江省第一地質勘察院 (The First Institute of Geology Exploration of Heilongjiang Province), Savoy Resources Corp. and V.S. Resources Holding Limited ("V.S. Resources"), a wholly-owned subsidiary of the Company, entered into an agreement pursuant to which V.S. Resources has agreed to invest an aggregate amount of RMB21,822,940 in 黑龍江雍昌礦業有限公司 (Heilongjiang Savoy Minerals Co., Ltd.) ("Target"), constituting approximately 51% of the enlarged equity interest of the Target. Details of the transaction were disclosed in the announcement of the Company dated 20 June 2008 and the circular of the Company dated 11 July 2008.

On 11 May 2009 and 10 August 2009, the Company announced that agreements have been reached with the respective partners to extend payment of the balance of the investment amount of HK$16.60 million until 31 December 2009.

FUTURE PROSPECTS AND CHALLENGES

In view of uncertainty in the global economy, the operation environments of the Group will continue to be challenging. Besides, the EMS industry is extremely competitive and the Group competes with numerous domestic and foreign EMS providers. The Group also anticipates rising labour cost will put a squeeze on its profit margin. The fluctuation of fuel prices is another major concern of the Group.

In light of the challenges ahead, the Group continues to improve its capabilities to provide full range integrated services to its customers which includes product design services, mould design and fabrication services, processing of printed circuit boards, plastic injection manufacturing and assembly of complete products. The management is also confident that, through stringent cost control and head count management, impacts on high running costs could be minimised.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and gratitude to our shareholders, bankers, customers, suppliers, business associates and regulatory authorities for their confidence and continuous support to the Group. I also wish to take this opportunity to thank my fellow directors, the management team, staff and employees for their full commitment, loyalty and dedication to the Group, which enabled us to overcome the challenges encountered during the year.

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

Management Discussion and Analysis of Results of Operations

INDUSTRY OVERVIEW

In 2009, EMS sector is facing one of the stiffest challenges in history. Global economic crisis and related decline in demand for end products are putting pressure on OEM cost structures and causing them to reduce their inventory level, manufacturing and supply chain outsourcing which has negatively impacted on the EMS sector. As one of the EMS providers, the Group was not spared from the economic downturn, as decline in demand was from the customers across all the geographical location and industries that the Group served.

In response to the rapid decline in the number of our customers' order, the Group has undertaken some restructuring activities, which intended to re-align our capacity with demand by our customers and thereby improve our efficiency level. These activities include the cessation of production facilities in Shenzhen, the PRC in December 2008. During the year, we recognised restructuring costs of approximately HK$9.64 million which include payment for termination benefits to staff and employees and net loss on disposal and fixed assets written off.

FINANCIAL REVIEW

Turnover, Gross Profit and Segments Results

During the year under review, the Group recorded a turnover of HK$1,198.83 million, representing a decrease HK$175.39 million or 12.76% from HK$1,374.22 million in the previous year, primarily due to reduced customer demand as a result of weakened global economic environment. The major contributor of the Group's turnover is still plastic injection and moulding division which accounted for 66.84% (2008: 71.41%) of the turnover, with the remaining from assembling of electronics products and mould design and fabrication divisions which accounted for 21.27% (2008: 15.42%) and 11.89% (2008: 13.17%) respectively.

Gross profit was severely affected and recorded at HK$105.76 million, representing a decrease of HK$36.90 million or 25.87% as compared to previous year of HK$142.66 million. The decline in gross profit was mainly attributable to lower capacity utilisation as a result of current global economic conditions and related decline in customer demand.

Plastic Injection and Moulding

During the financial year under review, the Group's business of plastic injection and moulding recorded a decrease in turnover to HK$801.29 million, from HK$981.29 million in the previous year, representing a fall in sales of 18.34%.

By geographical location, Zhuhai's operation was still the main contributor and contributed a turnover of HK$559.40 million as compared to HK$583.54 million in the previous year. Meanwhile, Qingdao operation and Shenzhen operation recorded a turnover of HK$214.93 million and HK$26.96 million, a significant drop of 30.43% and 69.65% as compared to HK$308.92 million and HK$88.83 million respectively in the previous year.



Assembling of Electronic Products

Despite the unfavourable global economic conditions, turnover for assembling of electronic products business increased by 20.29% to HK$254.95 million from HK$211.95 million in the previous year. This increase was mainly attributable to the intensified marketing effort and broadening up of its customer base by providing more value-added assembly services to customers.

During the year, the Group shifted its assembly operations from merely processing of printed circuit boards to manufacturing and, assembling of box-built electronic products and this also contributed to the higher turnover of assembly business during the year.

Mould Design and Fabrication

The mould design and fabrication business was the most seriously effected by economic downturn as customers have reduced the development of new models which have direct impact to the turnover of the mould design and fabrication segment. As a result, this segment recorded a turnover of HK$142.59 million as compared to HK$180.98 million in the previous year, representing a decrease of HK$38.39 million or 21.21%.

Despite the intense competition of this segment, the Group continued to equip this segment with new technology and highly trained engineers as a competitive edge in delivery of quality injection moulds in shorter production time. The capturing of more orders from existing and new customers of this segment will be beneficial to other segments of the Group.

Other Net (Loss)/Income

During the financial year under review, the Group incurred other net loss of HK$4.02 million (2008: other net income of HK$30.94 million), which comprised mainly net loss on foreign exchange and forward exchange contracts of HK$7.75 million, net loss on disposal of fixed assets and fixed assets written off of HK$6.13 million which was offset by interest and rental income of HK$8.92 million.

Distribution Costs and Administrative Expenses

Distribution costs and administration expenses amounted to HK$119.60 million, representing an increase of HK$4.11 million or 3.56% as compared to HK$115.49 million in the previous year. The increase was primarily due to payment of termination benefits in relation to the closure of production facilities in Shenzhen and provision for impairment losses for doubtful debts during the year.

Finance Costs

The finance costs were marginally lowered by 0.74% to HK$47.30 million (2008: HK$47.65 million) mainly due to lower interest rate for the year under review.

Share of Profits less losses of Associates

The Group's share of profits less losses of the associates reduced to HK$0.84 million as compared to share of profits less losses of HK$1.90 million in the previous year. The reduction was mainly due to lower share of profit contribution from the associate in Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, the Group financed its operations and investing activities mainly with internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 July 2009, the Group had cash and bank deposits as stated at HK$151.05 million (2008: HK$171.79 million), of which HK$47.25 million (2008: HK$46.79 million) was pledged to the banks for the facilities granted to the Group. The cash and bank deposits were denominated in the currencies of United States dollars ("USD") 71.95%, Renminbi ("RMB") 24.55%, and Hong Kong dollars ("HKD") 3.50%.

As at 31 July 2009, the Group had outstanding interest-bearing borrowings of HK$681.21 million (2008: HK$695.80 million), mainly consisting of bank borrowings of HK$641.80 million (2008: HK$672.93 million), obligations under finance lease of HK$22.38 million (2008: HK$3.27 million) and a loan from a substantial shareholder of HK$17.03 million (2008: HK$19.60 million). The total borrowings were denominated in RMB18.21%, USD35.49%, and HKD46.30%, and the maturity profile is as follows:

	As at 31 July 2009		As at 31 July 2008	
Repayable	**HK$ million**	**%**	HK$ million	%
Within one year	**350.41**	**51.44**	362.49	52.10
After one year but within two years	**38.81**	**5.70**	83.50	12.00
After two years but within five years	**291.99**	**42.86**	249.81	35.90
Total borrowings	**681.21**	**100.00**	695.80	100.00
Cash and bank deposits	**(151.05)**		(171.79)	
Net borrowings	**530.16**		524.01	

The Group's gearing ratios deteriorated during the financial year under review. The total net interest bearing borrowings posted at HK$530.16 million were increased to 34.97% and 114.18% of total assets and total shareholders' funds respectively (2008: 33.74% and 97.97% respectively). The deterioration was mainly due to net loss of HK$68.87 million incurred during the year.

During the year, the Group has taken proactive action to negotiate with its banker to reschedule its term loan facilities and managed to extend the repayment period of certain term loan facilities of HK$316.50 million and the first quarterly installment is payable in November 2010.

As at 31 July 2009, the Group's net current liabilities were HK$99.36 million. As at date of this report, the Group has undrawn bank facilities of HK$110.35 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flows to support its working capital requirements.

CAPITAL STRUCTURE

As at 31 July 2009, the Group's shareholders' fund stood at HK$464.32 million (2008: HK$534.85 million), a decrease of 13.19% mainly due to net loss incurred for the year. Total assets of the Group amounted to HK$1,516.03 million (2008: HK$1,553.10 million), 58.15% of which were fixed assets (2008: 54.51%).

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 July 2009, the Group's capital commitments were HK$32.77 million (2008: HK$120.51 million); while the operating lease commitments totalled HK$0.71 million (2008: HK$1.80 million). The Group does not have material contingent liabilities as at 31 July 2009 except as mentioned in note 31 to the audited financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to the risk were primarily HKD, USD, Japanese Yen and RMB.

During the financial year under review, the Group incurred a net loss on foreign exchange and forward exchange contracts of HK$7.75 million (2008: net exchange gains of HK$11.58 million) as a results of realisation of foreign exchange contracts entered before the previous financial year ended 31 July 2008, which were used to mitigate foreign currency risk in view of continuing appreciation of RMB against USD.

As HKD is pegged to USD and exchange rates of RMB against USD is now stabilising and trade within narrow band during the year, the Group does not expect any significant movements in the USD/HKD or RMB/USD exchange rate.

As at 31 July 2009, the notional amounts of the outstanding forward exchange contracts were nil (2008: USD64,000,000). However, the management will continue to monitor the foreign currency risk exposure and to ensure that it is kept to an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2009, the Group had a total of 6,553 employees (2008: 7,786). During the year under review, the Group did not make significant changes to the Group's remuneration policies for its employees.

Employees' cost to the Group (excluding Directors' remuneration and equity settled share-based payment expenses) for the financial year under review amounted to HK$205.24 million (2008: HK$219.44 million). The reduction in employees' cost was mainly due to cessation of the production facilities in Shenzhen, the PRC. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resource market and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group has recognised the need for the improvement of employees' technical knowledge, welfare and wellbeing, so as to attract and retain quality staff dedicated towards the future growth of the Group.

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

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

EXECUTIVE DIRECTORS

Mr. BEH Kim Ling, aged 51, is the chairman of the Company. Mr. Beh started his career in 1976 as a plastic moulding technician in Singapore. Three years later, Mr. Beh established VS Industry Pte Ltd. which was principally involved in the manufacturing of cassettes and video tapes parts in Singapore. In 1982, Mr. Beh, together with his wife, relocated the entire business operations of VS Industry Pte Ltd. from Singapore to Johor Bahru, Malaysia and set up V.S. Industry Berhad ("VS Berhad") in Johor Bahru, Malaysia. Mr. Beh is the executive chairman of VS Berhad since then. With the vast experience in the plastic moulding injection business gained in Singapore and Malaysia, Mr. Beh founded the Group's business in the PRC in 1997.

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

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

Mr. GAN Sem Yam, aged 53, is the managing Director. After completing his secondary education in 1975, Mr. Gan joined one of the shipyards in Singapore as an electrician. Mr. Gan joined VS Berhad in 1982 and was promoted to general manager and director of VS Berhad in February 1988.

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

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

Madam GAN Chu Cheng, aged 55, is the finance Director. Madam Gan, together with her husband, Mr. Beh Kim Ling, established VS Berhad in 1982. Madam Gan has accumulated more than 20 years experience in the plastic injection and moulding business. Madam Gan has headed several departments including production planning, procurement and finance departments in both VS Berhad and the Group.

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

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

Mr. ZHANG Pei Yu, aged 71, has been with the Group since October 2000. Prior to joining the Group, Mr. Zhang held various managerial positions with a number of large state-owned enterprises and government bureau in the PRC, including Shenyang Auto Mobile Manufacturing Factory, Shenyang Light Industry Bureau, Planning Economy Committee of Shenyang and Shenyang Jinbei Company. Mr. Zhang has gained substantial experience in corporate management and business development in the PRC.

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

NON-EXECUTIVE DIRECTOR

Mr. GAN Tiong Sia, aged 49, has been a member of the Board since year 2001. After graduation from secondary school, Mr. Gan joined VS Berhad as a management trainee. Mr. Gan was subsequently promoted as the marketing manager of VS Berhad in 1986 and became a director of VS Berhad in February 1988.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DIONG Tai Pew, aged 58, was appointed as an independent non-executive Director in 2002. Mr. Diong graduated with a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. Mr. Diong is a fellow member of The Chartered Association of Certified Accountants in the United Kingdom and Malaysian Institute of Taxation in Malaysia. Mr. Diong is also a member of Malaysian Institute of Accountants and the Institute of Certified Public Accountants of Singapore.

Mr. Diong is a practising accountant and has more than 30 years of experience in audit and investigation work, taxation, merger and acquisition as well as business development. Mr. Diong is the principal partner of UHY Diong, an accounting and consulting group in Singapore and Malaysia. Mr. Diong is also an independent non-executive director of Hengyang Petrochemical Logistics Limited, a company listed on the Catalist of the Singapore Exchange.

Mr. CHEUNG Kwan Hung, Anthony, aged 58, has been with the Board since year 2002. Mr. Cheung is a member of The Chartered Association of Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Cheung has long served as an investment banker and has also many years of management experience in industrial and commercial establishments. Currently, Mr. Cheung is also a director of NewOcean Energy Holdings Limited, Petro Asian Energy Holdings Limited (formerly known as China Oil Resources Holdings Limited) and Ruyan Group (Holdings) Limited, whose shares are listed on the Main Board of the Stock Exchange in Hong Kong.

Mr. TANG Sim Cheow, aged 50, was appointed as an independent non-executive Director on 30 September 2004. Mr. Tang graduated from the University of Malaya with a Bachelor of Accounting degree in 1984. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, and a fellow member of the Chartered Tax Institute of Malaysia. Mr. Tang joined KPMG Kuala Lumpur upon graduation and was promoted to tax manager in 1988. In 1992, Mr. Tang was seconded to KPMG Johor Bahru to head the tax practice of the Johor Bahru Branch and was promoted to tax director in 1995. Since 2000, Mr. Tang operates his own accounting firm S C Tang & Associates, in Malaysia which provides assurance, tax and consultancy services.

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

SENIOR MANAGEMENT OF THE GROUP

Mr. LUI Chong Huat, aged 40, is the group general manager of V.S. Technology Industry Park (Zhuhai) Co., Ltd., V.S. Industry (Zhuhai) Co., Ltd. and V.S. Electronics (Zhuhai) Co., Ltd.. Mr. Lui joined the Group in August 1997 and held senior positions as senior quality control manager, ISO management representative and senior production manager. Mr. Lui has gained over 15 years experience in the plastic injection, assembling of electronic products, tooling fabrication and moulding business. Mr. Lui has attended various management training courses and programmes on quality management control.

Mr. LO Boon Wah, aged 40, is the general manager of Haivs Industry (Qingdao) Co., Ltd. ("Haivs Qingdao"), Qingdao GS Electronics Plastic Co., Ltd. ("Qingdao GS") and Qingdao GP Electronic Plastics Co., Ltd. ("Qingdao GPI"). Mr. Lo, who joined the Group in July 2001, holds a Bachelor of Business Administration degree from the University of Utara Malaysia in Malaysia and has over 10 years experience in the management and administrative functions of manufacturing corporations.

Mr. LAU Hong Yeow, aged 47, is the general manager of VSA Holding Hong Kong Co., Limited and VSA Electronics Technology (Zhuhai) Co., Ltd., Mr. Lau first joined the Group as operation manager. He was promoted to assistant general manager in July 2007 and subsequently moved up to the position of general manager a year later. Mr. Lau is experienced in electronics manufacturing industry specializing in SMT and assembly for more than 24 years and he has worked in sizeable Japanese and multi-national companies in Singapore, Indonesia and Malaysia.

Mr. LEE Keng Eng, aged 36, is the financial controller of the Group. Mr. Lee joined the Group as the finance manager of Haivs Qingdao and Qingdao GS, Qingdao GPI and Qingdao GP Precision Mold Co., Ltd. since year 2004 and was promoted to the present position in April 2009. Mr. Lee has gained over 13 years experience in relation to accounting, financing and taxation in the PRC.

Mr. TEH Tong Meng, aged 31, join the Group as internal audit manager in March 2008. Mr. Teh holds a Bachelor Degree in Accounting and Finance and is an associate member of the Institute Internal Audit Malaysia. Prior to joining the Group, Mr. Teh has 8 years experience in internal audit function of a number of public listed companies in Malaysia.

Mr. CHONG Chin Siong, aged 42, is the senior corporate finance manager of the Group. Mr. Chong graduated from the University Sains of Malaysia with a Bachelor of Management (majoring in finance and accounting) in year 1992. Prior to joining the Group in January 2009, Mr. Chong has gained more than 15 years experience in internal audit, corporate finance and financial management in a number of public listed companies in Malaysia.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company, having made specific enquiry of all Directors and the Directors have confirmed that they have complied with the Code and Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2009.

BOARD OF DIRECTORS

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

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. During the financial year ended 31 July 2009, the Board has convened nine meetings at which, among other things, the following activities were conducted:

(1) approved the annual report for the financial year ended 31 July 2008 and matters to be considered at the 2008 annual general meeting;

(2) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2010;

(3) approved the interim results for the six months ended 31 January 2009; and

(4) approved continuing connected transactions of the Group.

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

Details of the Directors' attendance records at the board meetings during the financial year ended 31 July 2009 are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling (Chairman)	4/9
Mr. Gan Sem Yam	9/9
Madam Gan Chu Cheng	9/9
Mr. Zhang Pei Yu	8/9
Non-executive Director	
Mr. Gan Tiong Sia	8/9
Independent non-executive Directors	
Mr. Diong Tai Pew	9/9
Mr. Cheung Kwan Hung, Anthony	9/9
Mr. Tang Sim Cheow	9/9

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

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

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

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new Directors has been delegated to the Chairman and other executive Directors. Their work includes reviewing regularly the need to appoint additional Directors and formulating the policy for nominating suitable candidates as additional Directors, such as candidates with appropriate professional knowledge and industry experiences. The Board will then consider the appointment of the candidates nominated by them as Directors.

REMUNERATION COMMITTEE

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

During the financial year ended 31 July 2009, the Remuneration Committee has met once to review and approve the remuneration structure of the Directors and senior management of the Company as well as discretionary bonus of the executive Directors for the financial year ended 31 July 2008. All Remuneration Committee members attended the meeting.

AUDIT COMMITTEE

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

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

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

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

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

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

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

(5) reviewed all ongoing continuing connected transactions of the Group.

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2009 are as follows:

	Attendance
Mr. Diong Tai Pew	3/3
Mr. Cheung Kwan Hung, Anthony	3/3
Mr. Tang Sim Cheow	3/3

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

AUDITORS' REMUNERATION

Details of fees paid or payable to the Group's external auditors for the year ended 31 July 2009 are as follows:

Services rendered	**Fee paid/payable**
	HK$
Annual audit	1,964,000
Interim review	221,000
Non-audit services	617,000
	2,802,000

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group. In preparing the financial statements for the financial year ended 31 July 2009, the Directors have selected appropriate accounting policies and applied them consistently. As explained in note 1(b) of the audited financial statements, the financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to renew its current bank loans upon expiry or secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. These financial statements do not include any adjustments that would result from the failure to renew or obtain such banking facilities.

The statement of the external auditors about their reporting responsibilities on the financial statements are set out in the Auditors' Report to the Shareholders on pages 40 to 41 of this Annual Report.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control. During the financial year under review, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee. There was no significant incidence of failure in connection with the financial, operational and compliance control during the financial year ended 31 July 2009.

Subsequent to 1 January 2009, being the effective date of the amended Listing Rules, the Board has considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Directors have pleasure in submitting this Annual Report together with the audited financial statements of the Group for the financial year ended 31 July 2009.

PRINCIPAL ACTIVITIES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	13%	–
Five largest customers in aggregate	51%	–
The largest supplier	–	9%
Five largest suppliers in aggregate	–	31%

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

FINANCIAL STATEMENTS

The profit of the Group for the financial year ended 31 July 2009 and the state of the Company's and the Group's affairs as at 31 July 2009 are set out in the audited financial statements on pages 42 to 110.

DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 July 2009 (2008: Nil).

FIXED ASSETS

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

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 July 2009, the Company's reserves available for distribution calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to HK$241,399,000 (2008: HK$231,888,000). These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Cheung Kwan Hung, Anthony
Tang Sim Cheow

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

DIRECTORS'SERVICE CONTRACTS

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

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

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

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

As at 31 July 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 ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO 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 ("Model Code"), 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 shares** (Note 2)	**Approximate percentage of interest**
Beh Kim Ling	The Company	Beneficial owner	39,200,775 Shares (L) (Note 3)	4.52%
	V.S. Corporation (Hong Kong) Co., Limited ("VSHK")	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK$1 each (L)	–

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of shares (Note 2)	Approximate percentage of interest
Gan Sem Yam	The Company	Beneficial owner	17,437,500 Shares (L) (Note 3)	2.01%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	–
Gan Chu Cheng	The Company	Beneficial owner	31,000,775 Shares (L) (Note 3)	3.58%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	–
Zhang Pei Yu	The Company	Beneficial owner	2,000 Shares (L) (Note 3)	0.00%
Gan Tiong Sia	The Company	Beneficial owner	25,400,775 Shares (L) (Note 3)	2.93%
	VSHK	Beneficial owner	3,750,000 non voting deferred shares of HK$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	500,000 Shares (L) (Note 3)	0.06%
Chueng Kwan Hung, Anthony	The Company	Beneficial owner	500,000 Shares (L) (Note 3)	0.06%

DIRECTOR'S 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 long position interest in the shares of the Company or its associated corporations.

3. On 17 August 2007, share options were granted by the Company under the Share Option Scheme (as defined below) to, among other eligible participants, the Directors. All these share options were lapsed during the financial year ended 31 July 2009 and were not counted towards the number of shares of the Company held by the Directors.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year ended 31 July 2009 was the Company, any of its subsidiaries or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 July 2009, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of Shares held (Note 1)	Nature of interest/capacity	Approximate percentage of Interest
VS Berhad	371,996,900 (L)	Beneficial owner	42.91%
Inabata Sangyo (HK) Limited	82,000,000 (L)	Beneficial owner	9.46%

Notes:

1. The letter "L" represents the shareholder's long position interest in the Shares.

SHARE OPTION SCHEME

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

Eligible participants of the Share Option Scheme include the following:

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

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

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

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

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

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

SHARE OPTION SCHEME (CONTINUED)

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

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

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

As at the date of this Annual Report, the total number of Shares available for issue under the Share Option Scheme is 86,697,600 which represents approximately 10% of the issued share capital of the Company, and there were no outstanding share options under the Share Option Scheme. All 85,500,000 share options granted and outstanding as at end of last financial year lapsed during the year. The maximum number of Shares issuable upon exercise of the share options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

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

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

SHARE OPTION SCHEME (CONTINUED)

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

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

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

(iii) the nominal value of the Shares.

The following table discloses details of share options held by the grantees and movements in such holdings during the financial year ended 31 July 2009:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2008	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31 July 2009
Directors									
Beh Kim Ling	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
Gan Sem Yam	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2008	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31 July 2009
Gan Chu Cheng	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	2,150,000	–	–	2,150,000	–
Zhang Pei Yu	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	1,700,000	–	–	1,700,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	1,700,000	–	–	1,700,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	1,700,000	–	–	1,700,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	1,700,000	–	–	1,700,000	–
Gan Tiong Sia	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	500,000	–	–	500,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	500,000	–	–	500,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	500,000	–	–	500,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	500,000	–	–	500,000	–
Diong Tai Pew	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK$	Weighted average closing price on the date immediately before the exercise date HK$	Outstanding at 1 August 2008	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31 July 2009
Cheung Kwan Hung, Anthony	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
Tang Sim Cheow	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	125,000	–	–	125,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	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	N/A	12,350,000	–	–	12,350,000	–
		1 November 2007 to 31 July 2009	0.323	N/A	12,350,000	–	–	12,350,000	–
		1 February 2008 to 31 July 2009	0.323	N/A	12,350,000	–	–	12,350,000	–
		1 May 2008 to 31 July 2009	0.323	N/A	12,350,000	–	–	12,350,000	–
					49,400,000	–	–	49,400,000	–
					85,500,000	–	–	85,500,000	–

Notes:

1. The closing price of the Shares immediately before 17 August 2007, being the date of the grant of share options during the year, was HK$0.323.

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 cancelled during the financial year ended 31 July 2009.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the financial year ended 31 July 2009.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the financial year ended 31 July 2009 are set out in note 32 to the audited financial statements.

The Group had entered into the following continuing connected transactions during the financial year ended 31 July 2009, details of which are required to be disclosed in this report pursuant to Chapter 14A of the Listing Rules:–

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

On 8 August 2006, V.S. International Industry Limited ("VSIIL"), a wholly-owned subsidiary of the Company, entered into a master processing agreement with STX. Pursuant to the said master processing agreement, STX has agreed to engage VSIIL and its subsidiaries for the processing of printed circuit boards for electronic products using surface mounting technologies from time to time during the term of the said master processing agreement (i.e. from 8 August 2006 to 31 July 2009 (both days inclusive)). The expected annual capped amounts of the processing fees payable by STX for the three years ended 31 July 2009 were HK$34,000,000, HK$41,000,000 and HK$46,000,000 respectively. The actual amount of processing fees paid by STX for the year ended 31 July 2009 was HK$15,908,000.

On 15 July 2009, VSIIL and VSA Holdng Hong Kong Co., Limited ("VSA (HK)"), an indirect non wholly-owned subsidiary of the Company, entered into a new master supply agreement ("STX Supply Agreement") and master purchasing agreement ("STX Purchase Agreement") with STX respectively. Both the STX Supply Agreement and the STX Purchase Agreement commenced from 15 July 2009 and will end on 30 June 2012 (both days inclusive).

Pursuant to the STX Supply Agreement, STX agreed to purchase from VSIIL and its subsidiaries moulds, plastic moulded products and parts and processing of printed circuit boards for electronics products during the term of the STX Supply Agreement. The expected capped amounts of the sales to STX for the period from 15 July 2009 to 30 June 2010 and for the two years ending 30 June 2012 are HK$8,400,000, HK$9,000,000 and HK$9,600,000 respectively.

Pursuant to the STX Purchase Agreement, STX agreed to sell to VSA (HK) electronics components during the term of the STX Purchase Agreement. The expected capped amounts of purchases from STX for the period from 15 July 2009 to 30 June 2010 and for the two years ending 30 June 2012 are HK$2,500,000, HK$2,800,000 and HK$3,000,000 respectively.

As STX is a worldwide distributor of electronic products with extensive worldwide marketing and distribution networks, the Directors consider that, by providing the above services to STX, the Group would be able to capture more business opportunities in these high market potential products and to enlarge its market share worldwide.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Details of the above continuing connected transaction were set out in the Company's announcements dated 8 August 2006, 15 July 2009 and the Company's circular dated 28 August 2006.

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

V.S. Technology Industry Park (Zhuhai) Co. Ltd. ("VS Zhuhai"), V.S. Industry (Zhuhai) Co., Ltd. ("VSI (Zhuhai)") and VSA Electronics Technology (Zhuhai) Co. Ltd. ("VSAZH") (collectively, the "tenants") entered into lease agreement with V.S. (Zhuhai) Management Co. Ltd. ("VS Management") for leasing of a residential complex and other facilities on 14 November 2006 for a term of two years commenced from 1 August 2007. The subject lease properties are used as staff quarters of the tenants. The aggregate annual rent and management fees payable by the tenants to VS Management was RMB16,000,000 (equivalent to approximately HK$15,842,000) for each of the two years ended 31 July 2009, whilst the amount actually paid by the tenants for the year ended 31 July 2009 was HK$7,077,000.

On 31 July 2009, VS Zhuhai, VSI (Zhuhai), VSAZH and V.S. Electronics (Zhuhai) Co. Ltd. ("VSE (Zhuhai)") (collectively, the "new tenants") entered into a new lease agreement ("New Lease Agreement") with VS Management for the leasing of 21 blocks of residential buildings and other facilities ("Premises") for a term of three years commencing on 1 August 2009.

The Premises under the New Lease Agreement are also used for staff quarters purpose. The aggregate annual rent and management fee payable by new tenants is RMB8,466,490 (equivalent to approximately HK$9,621,011) for each of the three years ending 31 July 2012. As the New Lease Agreement only commenced from 1 August 2009, there was no rent or management fees paid to VS Management under the New Lease Agreement for the year ended 31 July 2009.

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

The rental and related management fees are payable by cash in advance by two installments which will fall due on 15 August of each of 2009, 2010 and 2011 and 15 February of each of 2010, 2011 and 2012.

Details of the above continuing connected transaction were set out in the Company's announcements dated 14 November 2006 and 31 July 2009 and the Company's circular dated 29 November 2006.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Continuing connected transactions with VS Berhad

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

VSIIL entered into a new master supply agreement with VS Berhad on 16 November 2007 ("New VS Berhad Supply Agreement"), in which the expected capped amounts of sales to VS Berhad for each of the three years ending 31 July 2011 are HK$91,806,000, HK$110,323,000 and HK$132,700,000 respectively. The actual amount of sales to VS Berhad for the year ended 31 July 2009 was HK$10,098,000. Such sales by VSIIL Group to VS Berhad commenced in 2000. Details of the transaction under the VS Berhad Supply Agreement and the New VS Berhad Supply Agreement were set out in the announcement of the Company dated 29 December 2005 and 16 November 2007.

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

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

(iv) Continuing connected transactions with Andes

VSIIL (for itself and on behalf of the other members of the VSIIL Group) entered into a master supply agreement with Andes on 13 April 2006. The quantity, specification and price of the products to be supplied by VSIIL Group under the master supply agreement were subject to the individual manufacturing orders placed by Andes with VSIIL Group. Pursuant to such agreement, the VSIIL Group has supplied certain plastic moulded products and parts to Andes was nil during the financial year ended 31 July 2009. These transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules by reason that Andes is a substantial shareholder of VSA (HK), a non-wholly owned subsidiary of the Company.

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

On 7 June 2007, VSA (HK) entered into a licence agreement with Andes for Andes to provide surface mounting technologies and related technical know-how and assistance from 7 June 2007 to 31 July 2009. The expected annual caps for each of the three years ended 31 July 2009 are HK$2,463,069, HK$4,100,000 and HK$4,200,000 respectively. The actual amount of fees paid to Andes for the year ended 31 July 2009 was HK$3,301,000. Details of the said transaction were disclosed in the announcement of the Company dated 7 June 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Continuing connected transactions with Tai Ann Vehicle Service Centre ("Tai Ann")

VS Zhuhai, a wholly owned subsidiary of the Company entered into a service agreement ("Service Agreement") with Tai Ann on 30 December 2008. Pursuant to the said Service Agreement, VS Zhuhai agreed to engage Tai Ann to provide, motor vehicle repairing and maintenance services including regular replacement of engine oil, daily routine maintenance and 24 hours on-call maintenance services during the term of the Service Agreement (i.e. from 1 January 2009 to 31 July 2011 (both days inclusive)). The actual quantity and fees in respect of the services to be provided by Tai Ann under the Service Agreement will be subject to individual orders placed by VS Zhuhai to Tai Ann. The expected capped amounts of the service fee payable to Tai Ann for the period from 1 January 2009 to 31 July 2009 and for the two years ending 31 July 2011 are HK$750,000, HK$1,680,000 and HK$1,800,000 respectively. The actual service fee paid to Tai Ann for the year ended 31 July 2009 was HK$503,000.

Tai Ann is wholly owned by Zhang Zhe, the son of and hence an associate of Mr. Zhang Pei Yu, an executive Director. Pursuant to Rule 1.01 of the Listing Rules, Tai Ann is an associate to Mr. Zhang Zhe. The transactions between Tai Ann and VS Zhuhai during the period from 1 January 2009 to 30 June 2009 accounted for about 92% of the total revenue of Tai Ann for the same period. In view of the proportion of revenue of Tai Ann contributed by VS Zhuhai, the Board considered Tai Ann as a connected person of the Company and the transactions under the Service Agreement as continuing connected transactions for the Company.

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

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

Pursuant to the Former Master Processing Agreement, VS Shenzhen, VSI (Zhuhai) and VS Zhuhai have agreed to engage Zhongshan Kejie for colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the said agreement. The quantity, specification and price of the processing services to be provided by Zhongshan Kejie under the said agreements will be subject to individual orders placed by VS Shenzhen, VSI (Zhuhai) and VS Zhuhai with Zhongshan Kejie. The expected annual capped amounts of the fees payable to Zhongshan Kejie under the said agreements for each of the three years ended 31 July 2009 are HK$5,947,485, HK$8,626,000 and HK$9,606,000 respectively. The actual amount of fees paid to Zhongshan Kejie for the year ended 31 July 2009 was HK$6,373,000.

Details of the said transaction have been disclosed in the announcement of the Company dated 17 January 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(vii) Continuing connected transactions with Zhuhai Kejie Polymer Material Co., Ltd. ("Zhuhai Kejie")

Considering the closer proximity of Zhuhai Kejie to the Group's production facilities, on 24 August 2009, VS Zhuhai and VSI (Zhuhai) entered into a master processing agreement ("New Master Processing Agreement") with Zhuhai Kejie for the provision of processing services, being colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the New Master Processing Agreement. The quantity, specification and price of the processing services to be provided by Zhuhai Kejie will be subject to individual orders placed by VS Zhuhai and VSI (Zhuhai) with Zhuhai Kejie. The expected annual capped amounts for the fees payable to Zhuhai Kejie under the New Mater Processing Agreement for each of the three years ending 31 July 2012 are HK$8,500,000, HK$9,000,000 and HK$9,000,000.

Zhongshan Kejie and Zhuhai Kejie which had the same shareholding structure are both owned as to 80% by Mr. Beh Kim Hun. Mr. Beh Kim Hun, being the brother of Mr. Beh Kim Ling, an executive Director and the brother-in-law of Madam Gan Chu Cheng, an executive Director, is an associate of Mr. Beh Kim Ling and Madam Gan Chu Cheng under Rule 14A.11(4)(b) of the Listing Rules. In view of such relationship, Zhongshan Kejie and Zhuhai Kejie are deemed to be connected persons of the Company and transactions pursuant to the Former Master Processing Agreement and the New Master Processing Agreement are deemed to be continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the said transaction have been disclosed in the announcement of the Company dated 24 August 2009.

(viii) Continuing connected transactions with Lip Sheng Precision (Zhuhai) Co., Ltd. ("Lip Sheng")

VS Zhuhai and VSI (Zhuhai) entered into a master sale and purchase agreement ("Lip Sheng Agreement") with Lip Sheng on 24 August 2009 for purchases of moulded fabricated and certain moulded products and parts ("Moulded Products") from Lip Sheng during the term of said agreement (i.e. from 1 August 2009 to 31 July 2012 (both days inclusive)). The actual quantity, specifications and price of the Moulded Products will be subject to individual orders to be placed by VS Zhuhai and VSI (Zhuhai). The expected annual capped amounts of purchases of the Moulded Products payable to Lip Sheng for each of the three years ending 31 July 2012 are HK$5,000,000, HK$6,000,000 and HK$6,000,000 respectively.

Mr. Gan Tong Chuan, being (i) brother of Madam Gan Chu Cheng, an executive Director; (ii) brother of Mr. Gan Sem Yam, an executive Director; (iii) brother of Mr. Gan Tiong Sia, a non-executive Director; and (iv) brother-in-law of Mr. Beh Kim Ling, an executive Director, is an associate of each of the Directors mentioned under Rule 14A.11(4) of the Listing Rules. Thus, Lip Sheng which is indirectly wholly-owned by Mr. Gan Tong Chuan is deemed to be a connected person and the transactions pursuant to Lip Sheng Agreement are deemed to be continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the said transaction were disclosed in the announcement of the Company dated 24 August 2009.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

The auditors of the Company also confirmed that the continuing connected transactions set out in paragraphs (i) to (vi) above:–

1. had been approved by the Board;

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

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

4. the aggregate consideration received or paid in respect of the above continuing connected transactions during the financial year ended 31 July 2009 had not exceeded the cap disclosed in the respective announcement and/or circular.

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

PRE-EMPTIVE RIGHTS

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

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

During the financial year ended 31 July 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 July 2009 are set out in notes 23, 24 and 32(c) to the audited financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year ended 31 July 2009 is set out in note 6(a) to the audited financial statements.

FIVE YEARS SUMMARY

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

PROPERTIES

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

RETIREMENT SCHEMES

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

AUDIT COMMITTEE

The Board established the Audit Committee on 20 January 2002 and was re-constituted on 30 September 2004. The role, function and composition of the Audit Committee are set out on page 21 of this Annual Report.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors at the date of this Annual Report, there was a sufficient prescribed public float of the issued Shares under the Listing Rules at any time during the financial year ended 31 July 2009.

AUDITORS

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

By order of the Board

Beh Kim Ling
Chairman
Macau
25 September 2009

KPMG

Independent auditor's report to the shareholders of

V.S. International Group Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of V.S. International Group Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 42 to 110, which comprise the consolidated and company balance sheets as at 31 July 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1(b) to these financial statements which describes that the Group incurred a loss of HK$68,867,000 for the year ended 31 July 2009 and as at that date the Group's current liabilities exceeded its current assets by HK$99,363,000. 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(b) to these financial statements, these financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to renew its current bank loans upon expiry or secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. These financial statements do not include any adjustments that would result from the failure to renew or obtain such banking facilities.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 September 2009

Consolidated Income Statement

for the year ended 31 July 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Turnover	3 & 13	**1,198,829**	1,374,223
Cost of sales		**(1,093,067)**	(1,231,561)
Gross profit		**105,762**	142,662
Other net (loss)/income	4	**(4,016)**	30,937
Distribution costs		**(37,623)**	(33,577)
Administrative expenses		**(81,980)**	(81,914)
Other operating income		**–**	120
(Loss)/profit from operations		**(17,857)**	58,228
Finance costs	6(a)	**(47,296)**	(47,650)
Share of profits less losses of associates		**844**	1,903
Gain on disposal of associates		**–**	5,286
(Loss)/profit before taxation	6	**(64,309)**	17,767
Income tax expense	7	**(4,558)**	(6,625)
(Loss)/profit for the year		**(68,867)**	11,142
Attributable to:			
Equity shareholders of the Company	10 & 28	**(68,685)**	11,464
Minority interests	28	**(182)**	(322)
(Loss)/profit for the year	28	**(68,867)**	11,142
(Loss)/earnings per share	12		
Basic		**(7.92) cents**	1.32 cents
Diluted		**(7.92) cents**	1.32 cents

The notes on pages 49 to 110 form part of these financial statements.

Consolidated Balance Sheet

at 31 July 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**856,758**	821,111
– Interests in leasehold land held for own use under operating leases		**24,815**	25,533
	14	**881,573**	846,644
Goodwill	15	**2,172**	2,172
Deferred tax assets	26(b)	**6,499**	–
Interest in associates	17	**22,692**	21,848
		912,936	870,664
Current assets			
Inventories	18	**144,890**	163,493
Trade and other receivables	19	**307,153**	347,158
Deposits with banks	20	**50,621**	56,159
Cash and cash equivalents	21	**100,431**	115,626
		603,095	682,436
Current liabilities			
Trade and other payables	22	**343,901**	319,531
Interest-bearing borrowings	23	**334,824**	354,316
Obligations under finance leases	24	**8,289**	3,270
Loan from a substantial shareholder	32(c)	**7,300**	4,899
Current taxation	26(a)	**8,144**	883
		702,458	682,899
Net current liabilities		**(99,363)**	(463)
Total assets less current liabilities		**813,573**	870,201
Non-current liabilities			
Other payables	22(c)	**17,057**	–
Interest-bearing borrowings	23	**306,974**	318,613
Obligations under finance leases	24	**14,090**	–
Loan from a substantial shareholder	32(c)	**9,733**	14,697
Deferred tax liabilities	26(b)	**1,398**	2,046
		349,252	335,356
NET ASSETS		**464,321**	534,845

at 31 July 2009
(Expressed in Hong Kong dollars)

	Note	**2009 $'000**	2008 $'000
CAPITAL AND RESERVES			
Share capital	27(a)	**43,349**	43,349
Reserves	28(a)	**417,391**	487,733
Total equity attributable to equity shareholders of the Company		**460,740**	531,082
Minority interests	28(a)	**3,581**	3,763
TOTAL EQUITY		**464,321**	534,845

Approved and authorised for issue by the board of directors on 25 September 2009.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 49 to 110 form part of these financial statements.

Balance sheet

at 31 July 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Property, plant and equipment	14(b)	**6,162**	6,309
Investments in subsidiaries	16	**425,140**	412,470
		431,302	418,779
Current assets			
Other receivables	19	**55,226**	54,499
Cash and cash equivalents	21	**241**	781
		55,467	55,280
Current liabilities			
Other payables	22	**171,771**	162,453
Net current liabilities		**(116,304)**	(107,173)
Total assets less current liabilities		**314,998**	311,606
Non-current liabilities			
Deferred income	22(a)	**30,250**	29,813
NET ASSETS		**284,748**	281,793
CAPITAL AND RESERVES			
Share capital	27(a)	**43,349**	43,349
Reserves	28(b)	**241,399**	238,444
TOTAL EQUITY		**284,748**	281,793

Approved and authorised for issue by the board of directors on 25 September 2009.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 49 to 110 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Total equity at 1 August		**534,845**	460,431
Net income recognised directly in equity:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	28	**(1,657)**	65,386
Net (loss)/profit for the year	28	**(68,867)**	11,142
Total recognised income and expense for the year		**(70,524)**	76,528
Attributable to:			
– Equity shareholders of the Company		**(70,342)**	76,850
– Minority interests	28	**(182)**	(322)
		(70,524)	76,528
Dividends declared and payable to equity shareholders of the Company	11 & 28	**–**	(8,670)
Movements in equity arising from capital transactions:			
Equity settled share-based transactions	28	**–**	6,556
Total equity at 31 July		**464,321**	534,845

The notes on pages 49 to 110 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Operating activities			
(Loss)/profit before taxation		**(64,309)**	17,767
Adjustments for:			
– Finance costs	6(a)	**47,296**	47,650
– Interest income	4	**(2,389)**	(4,091)
– Amortisation of interests in leasehold land held for own use under operating leases	6(b)	**575**	439
– Depreciation	6(b)	**98,538**	92,913
– Share of profits less losses of associates		**(844)**	(1,903)
– Change in fair value of forward exchange contracts	4	**–**	593
– Reversal of impairment losses for interests in associates	6(b)	**–**	(120)
– Gain on disposal of associates		**–**	(5,286)
– Net loss on disposal of fixed assets	4	**6,129**	592
– Equity settled share-based payment expenses	5	**–**	6,556
Operating profit before changes in working capital		**84,996**	155,110
Decrease in inventories		**18,603**	26,539
Decrease/(increase) in trade and other receivables		**28,597**	(11,858)
(Increase)/decrease in trade and other payables		**(26,727)**	36,456
Cash generated from operations		**105,469**	206,247
Income tax paid by subsidiaries in the People's Republic of China ("PRC")	26	**(4,444)**	(3,696)
Net cash generated from operating activities		**101,025**	202,551
Investing activities			
Payments for the purchase of fixed assets		**(64,005)**	(60,127)
Proceeds from sale of fixed assets		**12,305**	543
Refund/(payment) of an acquisition deposit	19	**11,408**	(25,147)
Proceeds from disposal of associates		**–**	5,286
Dividend received from an associate		**–**	215
Uplift of deposits with banks		**5,538**	9,575
Interest received		**2,389**	4,091
Net cash used in investing activities		**(32,365)**	(65,564)

	Note	2009 $'000	2008 $'000
Financing activities			
Capital element of finance lease rentals paid		**(5,757)**	(3,703)
Interest element of finance lease rentals paid		**(4,290)**	(316)
Repayment of loan from a substantial shareholder		**(2,563)**	(4,976)
Repayment of bank loans		**(903,926)**	(1,011,233)
Proceeds from new bank loans		**850,573**	927,560
Other borrowing costs paid		**(43,118)**	(47,431)
Dividend paid		**–**	(8,670)
Net cash used in financing activities		**(109,081)**	(148,769)
Net decrease in cash and cash equivalents		**(40,421)**	(11,782)
Cash and cash equivalents at 1 August	21	**110,061**	120,470
Effect of foreign exchange rates changes		**3,004**	1,373
Cash and cash equivalents at 31 July	21	**72,644**	110,061

The notes on pages 49 to 110 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 July 2009 comprise V.S. International Group Limited ("the Company") and its subsidiaries (collectively, "the Group") and the Group's interest in associates.

As at 31 July 2009, the Group's current liabilities exceeded its current assets by approximately $99,363,000 and the Group incurred a loss of $68,867,000 for the year ended 31 July 2009. 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 July 2009, the Group had undrawn banking facilities totalling $163,552,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew the current bank loans upon expiry or to obtain additional banking facilities in order to improve the liquidity position. The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with banks which enhance the Group's ability to renew the current bank loans upon expiry or to secure adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in these financial statements.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

A summary of the significant accounting policies adopted by the Company and the Group is set out below. The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies below.

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

(c) Subsidiaries and minority interests

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see notes 1(i)).

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

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

(e) Goodwill

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

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

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

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

(f) Derivative financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

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

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

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

– other items of plant and equipment.

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

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

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

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;

– Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 10 years from the date of completion, and the unexpired terms of the leases; and

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse affect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(ii) Impairment of other assets

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

– property, plant and equipment;

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

– investments in subsidiaries and interest in associates; and

– goodwill.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

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

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

(j) Inventories

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

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

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

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

(k) Trade and other receivables

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

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Cash and cash equivalents

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

(o) Employee benefits

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

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

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(i) Sale of goods

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

(ii) Rental income from operating leases

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

(iii) Interest income

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

(s) Translation of foreign currencies

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Translation of foreign currencies (continued)

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

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

(t) Borrowing costs

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

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

(u) Related parties

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Segment reporting

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company:

– HK(IFRIC) 11, HKFRS 2 – *Group and treasury share transactions*

– HK(IFRIC) 12, *Service concession arrangements*

– HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction*

– Amendment to HKAS 39, *Financial instruments: Recognition and measurement,* and HKFRS 7, *Financial instruments: Disclosures – Reclassification of financial assets*

These HKFRS developments have had no material impact on the Group's financial statements as they were either consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

3 TURNOVER

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

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

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

	2009 $'000	2008 $'000
Breakdown of turnover by principal activities		
Plastic injection and moulding	**801,290**	981,289
Assembling of electronic products	**254,947**	211,949
Mould design and fabrication	**142,592**	180,985
	1,198,829	1,374,223

4 OTHER NET (LOSS)/INCOME

	2009 $'000	2008 $'000
Interest income	**2,389**	4,091
Rentals receivable from operating leases	**6,527**	8,414
Net foreign exchange (losses)/gains	**(515)**	1,202
Change in fair value of forward foreign exchange contracts	**–**	(593)
Net (loss)/gain on forward exchange contracts	**(7,239)**	10,381
Net loss on disposal of fixed assets	**(6,129)**	(592)
Tax refund on reinvested profit (note)	**–**	5,355
Others	**951**	2,679
	(4,016)	30,937

Note: For the year ended 31 July 2008, the Group reinvested the dividends from a subsidiary by way of capital injection. Pursuant to approval from respective local tax authorities, the Group was eligible to receive refunds of certain income tax paid by the subsidiary in previous years. The approvals from relevant tax authorities in connection with the refunds were obtained on 16 October 2007 and 29 December 2007.

5 STAFF COSTS

	2009 $'000	2008 $'000
Salaries, wages and allowances	**202,840**	226,234
Contribution to retirement benefit schemes	**12,975**	11,197
Equity settled share-based payment expenses (note 28)	**–**	6,556
Termination benefits	**2,400**	–
	218,215	243,987

Staff costs include directors' remuneration totalling $12,978,000 (2008: $17,995,000) (note 8).

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

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

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

Prior to the effective date of the new labour law in the PRC on 1 January 2008, labour required for production in certain production facilities in Shenzhen, the PRC, was provided by certain independent third parties (the "Providers") under the relevant processing arrangements entered into by the Group with the Providers. The Providers were responsible for the participation in retirement benefit schemes pursuant to the relevant rules and regulations in the PRC. In return, a processing charge calculated based on the number of staff engaged in the production was paid to the Providers. The Group had no obligations to pay any retirement benefits to existing and former staff provided by the Providers. Upon implementation of new labour law in the PRC, these processing arrangements have been modified. As a result, all workers are now employed directly by the Group and the Group has assumed all associated staff costs.

During the year ended 31 July 2009, the Group's operations in Shenzhen, the PRC, were transferred to other locations. Termination benefits of approximately $2,400,000 (2008: Nil) were incurred as a result of early termination of the employment contracts with employees.

6 (LOSS)/PROFIT BEFORE TAXATION

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

	2009 $'000	2008 $'000
(a) Finance costs:		
Interest on bank advances repayable within five years	**36,516**	42,483
Interest on loan from a substantial shareholder	**850**	1,053
Finance charges on obligations under finance leases	**4,290**	316
Total borrowing costs	**41,656**	43,852
Less: borrowing costs capitalised as construction in progress *	**(112)**	(97)
	41,544	43,755
Other charges	**5,752**	3,895
	47,296	47,650

* The borrowing costs have been capitalised at a rate of 5.6% (2008: 6.3%) per annum for construction in progress.

	2009 $'000	2008 $'000
(b) Other items:		
Cost of inventories (note (ii) & 18(b))	**1,093,067**	1,231,561
Auditors' remuneration		
– audit services	**1,964**	1,979
– other services	**838**	832
Impairment of doubtful debts charged (note 19(b))	**1,076**	271
Reversal of impairment losses for interest in associates	**–**	(120)
Processing fees (note(ii))	**–**	10,283
Amortisation of interests in leasehold land held for own use under operating leases	**575**	439
Depreciation (note(ii))		
– other assets	**96,859**	90,834
– assets held under finance leases	**1,679**	2,079
Operating lease charges in respect of properties		
– factory and hostel rentals	**9,302**	10,476
Tax penalties (note (i))	**451**	–

6 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

Note:

(i) Pursuant to a notice issued by Zhuhai State Administration of Taxation Inspection Department (珠海市國家稅務局稽查局) ("Zhuhai SATID") on 28 November 2008, a subsidiary of the Company, V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("VS Zhuhai") was charged with the evasion of value added tax ("VAT") in the amount of $549,000 (RMB483,600). During years 2006 and 2007, VS Zhuhai used certain VAT invoices issued by certain companies to claim for a reduction in VAT. During the year, such VAT invoices were challenged by Zhuhai SATID. As a result, VS Zhuhai was charged with evasion of VAT. The VAT underpaid of $549,000 (RMB483,600) and the related penalties of $451,000 were paid to the PRC tax authorities on 11 December 2008.

Further to a notice issued by People's Procuratorate of Zhuhai Municipal (珠海市人民檢察院) on 9 June 2009, VS Zhuhai, the chairman and the former qualified accountant of the Company (in their respective capacity as chairman and financial controller of VS Zhuhai) are alleged to have committed criminal offences in respect of the evasion of such VAT and statements of defence have been submitted to court. In the opinion of the directors, based on the advice of the PRC legal counsel of the Group, it is not appropriate to estimate the outcome of the verdict at this stage as the case has not yet been concluded up to the date of this report but the financial impact on the consolidated financial statements is considered to be inconsequential were the Group found to be guilty (note 31).

(ii) Cost of inventories includes $233,832,000 (2008: $247,718,000) relating to staff costs, depreciation, processing fees and operating lease charges which amount is also included in the respective total amounts disclosed separately above or note 5 for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	2008
	$'000	$'000
Current tax – PRC		
Provision for income tax for the year	**4,918**	4,579
Over-provision in respect of prior years	**(713)**	–
Provision for income tax arising on restructuring of equity interests in the PRC subsidiaries	**7,500**	–
	11,705	4,579
Deferred tax		
Origination and reversal of temporary differences	**(7,147)**	2,046
	4,558	6,625

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 years ended 31 July 2009 and 2008.

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, 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 had enjoyed preferential tax rates before 1 January 2008.

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

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 income tax rate applicable to the subsidiaries of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008 will be gradually increased from the ex-preferential income tax rates to 25% over a five-year transition period commencing from 1 January 2008. The applicable income tax rate is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

Subsidiaries which were granted certain tax relief before 1 January 2008 can continually enjoy such 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.

Subsidiaries of the Company in the PRC were either entitled to income tax exemption or sustained losses for taxation purposes for the year ended 31 July 2009 except for the following six subsidiaries of the Company in the PRC which are subject to standard or preferential income tax rates as follows:

Name of subsidiary	Period	Income tax rate
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 July 2009	20.0%
Haivs Industry (Qingdao) Co., Ltd. ("Haivs")	1 August 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 December 2008	18.0%
	1 January 2009 to 31 July 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 July 2009	20.0%
Qingdao GS Electronics Plastic Co., Ltd. ("Qingdao GS")	1 August 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 December 2008	9.0%
	1 January 2009 to 31 July 2009	10.0%
VSA Electronics Technology (Zhuahi) Co., Ltd. ("VSA Zhuhai")	1 January 2008 to 31 December 2008	9.0%
	1 January 2009 to 31 July 2009	10.0%
Qingdao GP Precision Mold Plastics Co., Ltd. ("Qingdao Mold")	1 February 2008 to 31 July 2009	25.0%

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 recognised as a reduction of the income tax expenses for the year ended 31 July 2009.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Pursuant to the new tax law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. A withholding tax rate of 5% is applicable to entities held by a Hong Kong incorporated subsidiary.

According to the notice Caishui [2008] No.1 released by the Ministry of Finance and the State Administration of Taxation, distributions of pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempted from the PRC withholding tax. The Group is liable to withholding tax on dividends distributed from the subsidiaries incorporated in the PRC relating to profits generated on or after 1 January 2008. At 31 July 2009, the undistributed profits generated before 1 January 2008 by the subsidiaries incorporated in the PRC, which amounted to $129,791,000, are not subject to the withholding tax on future distribution. Deferred tax liabilities of $1,398,000 (2008: $2,046,000) have been recognised in respect of the temporary differences of $27,960,000 (2008: $25,384,000) which are related to the undistributed profits generated on or after 1 January 2008 by the subsidiaries incorporated in the PRC (Note 26(b)).

On 28 November 2008, the Group undertook certain group restructuring transactions, whereby the equity interests in certain PRC subsidiaries held by a subsidiary incorporated in British Virgin Islands ("BVI") were transferred to a subsidiary incorporated in Hong Kong at nil consideration. Pursuant to the Implementation Rules of the new Corporate Income Tax Law and Caishui (2009) No. 59 issued by the Ministry of Finance and State Administration of Taxation of the PRC on 30 April 2009, any gain recognised by the subsidiary incorporated in BVI in connection with the transfer of equity interests is subject to withholding tax in the PRC at the rate of 10%, and such gain shall be determined as if such transfer was made on terms equivalent to those that prevail in arm's length transactions. In the opinion of the directors, based on valuation of the transferred equity interests performed by an independent valuer, a gain of approximately $75,000,000 would have been recognised by the subsidiary incorporated in BVI if such transfer were made on terms equivalent to those that prevail in arm's length transactions. As a result, the Group has recognised a provision for income tax of $7,500,000 for the year ended 31 July 2009 in respect of these group restructuring transactions.

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.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

	2009 $'000	2008 $'000
(Loss)/profit before taxation	(64,309)	17,767
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(8,403)	3,198
Tax effect of non-deductible expenses	6,853	6,569
Tax effect of unused tax losses not recognised	4,457	323
Tax effect on withholding tax of retained earnings in the PRC subsidiaries	(648)	2,046
Tax effect of restructuring of equity interests in the PRC subsidiaries	7,500	–
Over-provision in respect of prior years	(713)	–
Tax effect of tax relief granted	(4,488)	(5,511)
Actual tax expense	4,558	6,625

8 DIRECTORS' REMUNERATION

The remuneration of directors for the year ended 31 July 2009 is set out below:

	Fees $'000	Salaries $'000	Discretionary bonuses (note (i)) $'000	Share-based payments (note (ii)) $'000	Retirement scheme contributions $'000	Total $'000
Executive directors						
Beh Kim Ling	–	5,700	–	–	–	5,700
Gan Sem Yam	–	3,500	–	–	–	3,500
Gan Chu Cheng	–	2,550	–	–	–	2,550
Zhang Pei Yu	–	542	86	–	–	628
	–	12,292	86	–	–	12,378
Non-executive director						
Gan Tiong Sia	180	–	–	–	–	180
Independent non-executive directors						
Diong Tai Pew	160	–	–	–	–	160
Cheung Kwan Hung, Anthony	140	–	–	–	–	140
Tang Sim Cheow	120	–	–	–	–	120
	420	–	–	–	–	420
	600	12,292	86	–	–	12,978

8 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of directors for the year ended 31 July 2008 is set out below:

	Fees	Salaries	Discretionary Bonuses (note (i))	Share-based payments (note (ii))	Retirement scheme contributions	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Beh Kim Ling	–	6,000	360	660	–	7,020
Gan Sem Yam	–	4,200	300	660	–	5,160
Gan Chu Cheng	–	3,000	120	660	–	3,780
Zhang Pei Yu	–	542	105	521	–	1,168
	–	13,742	885	2,501	–	17,128
Non-executive director						
Gan Tiong Sia	180	–	–	153	–	333
Independent non-executive directors						
Diong Tai Pew	160	–	–	38	–	198
Cheung Kwan Hung, Anthony	140	–	–	38	–	178
Tang Sim Cheow	120	–	–	38	–	158
	420	–	–	114	–	534
	600	13,742	885	2,768	–	17,995

Notes:

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

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

9 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	2009 $'000	2008 $'000
Salaries and other emoluments	1,984	1,671
Retirement scheme contributions	–	–
Discretionary bonuses	194	286
Share-based payments	–	467
	2,178	2,424

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2009	2008
$Nil – $1,000,000	1	1
$1,000,001 – $1,500,000	1	1

Under the Company's Share Option Scheme described in note 25, the two individuals of the Company with the highest emoluments were granted 6,092,000 share options during the year ended 31 July 2008 to subscribe for shares in the Company. None of the share options granted were exercised during the years ended 31 July 2009 and 2008.

There were no amounts paid during the year ended 31 July 2009 and 2008 to the directors or any of the five highest paid individuals as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $16,475,000 (2008: $23,792,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount of the Company's profit for the year:

	2009 $'000	2008 $'000
Amount of consolidated loss attributable to equity shareholders dealt with the Company's financial statements	(16,475)	(23,792)
Income recognised in respect of financial guarantees provided by the Company to its subsidiaries	19,430	33,803
Company's profit for the year (note 28(b))	2,955	10,011

11 DIVIDENDS

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

No final dividend has been proposed by the Company after the balance sheet date attributable to the years ended 31 July 2009 and 2008.

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

	2009	2008
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil cent (2008: 1.0 cent) per share	**–**	8,670

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of $68,685,000 (2008: profit of $11,464,000) and the 866,976,000 shares in issue during the current and the prior year.

(b) Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares in existence during the years ended 31 July 2009 and 2008.

13 SEGMENT REPORTING

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

(a) Business segments

The Group comprises the following main business segments:

Plastic injection and moulding	:	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

13 SEGMENT REPORTING (CONTINUED)

(a) Business segments (continued)

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Turnover from external customers	801,290	981,289	254,947	211,949	142,592	180,985	1,198,829	1,374,223
Segment result	29,981	69,487	11,994	4,026	23,454	34,263	65,429	107,776
Unallocated operating income and expenses							(83,286)	(49,548)
(Loss)/profit from operations							(17,857)	58,228
Finance costs							(47,296)	(47,650)
Share of profits less losses of associates							844	1,903
Gain on disposal of associates							–	5,286
Income tax							(4,558)	(6,625)
(Loss)/profit for the year							(68,867)	11,142
Depreciation and amortisation for the year	59,920	58,660	23,965	20,298	11,835	8,051	95,720	87,009
Unallocated depreciation and amortisation							3,393	6,343
							99,113	93,352
Significant non-cash items (other than depreciation and amortisation)	(1,587)	(2,039)	(602)	(1,420)	(455)	(1,209)	(2,644)	(4,668)
Segment assets	754,330	833,770	263,431	193,330	157,387	166,409	1,175,148	1,193,509
Interest in associates							22,692	21,848
Unallocated assets							318,191	337,743
Total assets							1,516,031	1,553,100
Segment liabilities	216,546	210,137	99,795	38,463	24,642	36,658	340,983	285,258
Unallocated liabilities							710,727	732,997
Total liabilities							1,051,710	1,018,255
Capital expenditure incurred during the year	88,511	29,845	48,158	3,961	12,917	25,985	149,586	59,791
Unallocated capital expenditure							7,551	3,907
							157,137	63,698

13 SEGMENT REPORTING (CONTINUED)

(b) 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. Segment assets and capital expenditure are based on the geographical location of the assets. All segment assets and capital expenditure are in the PRC.

Turnover from external customers is analysed as follows:

	2009 $'000	2008 $'000
PRC (other than Taiwan and Hong Kong)	690,909	771,338
Hong Kong	204,324	222,282
Northern Asia	130,309	195,294
Europe	18,445	78,909
United States of America	127,876	74,560
South East Asia	26,816	31,766
Others	150	74
	1,198,829	1,374,223

14 FIXED ASSETS

(a) The Group

	Buildings held for own use $'000	Leasehold improvements $'000	Plant and machinery $'000	Office equipment, furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total $'000
Cost:									
At 1 August 2007	302,475	26,882	798,401	36,179	24,042	4,203	1,192,182	26,205	1,218,387
Exchange adjustments	30,616	1,583	70,965	3,787	2,007	168	109,126	2,448	111,574
Transfer	49	–	793	7	–	(849)	–	–	–
Additions	4,788	419	50,352	5,838	1,445	738	63,580	118	63,698
Disposals	–	–	(3,917)	(457)	(2,268)	–	(6,642)	–	(6,642)
At 31 July 2008	337,928	28,884	916,594	45,354	25,226	4,260	1,358,246	28,771	1,387,017
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	(1,843)	(96)	(4,507)	(246)	(122)	(21)	(6,835)	(163)	(6,998)
Transfer	–	–	3,388	–	–	(3,388)	–	–	–
Additions	3,774	72	142,543	3,929	1,654	5,165	157,137	–	157,137
Disposals	(5,387)	(13,100)	(59,448)	(4,985)	(3,789)	–	(86,709)	–	(86,709)
At 31 July 2009	334,472	15,760	998,570	44,052	22,969	6,016	1,421,839	28,608	1,450,447
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	2,859	465	27,175	2,126	1,438	–	34,063	257	34,320
Charge for the year	7,292	2,500	75,452	4,860	2,809	–	92,913	439	93,352
Written back on disposals	–	–	(3,317)	(103)	(2,087)	–	(5,507)	–	(5,507)
At 31 July 2008	36,310	14,376	438,276	28,944	19,229	–	537,135	3,238	540,373
At 1 August 2008	36,310	14,376	438,276	28,944	19,229	–	537,135	3,238	540,373
Exchange adjustments	(196)	(31)	(1,856)	(143)	(91)	–	(2,317)	(20)	(2,337)
Charge for the year	7,738	1,920	82,875	4,565	1,440	–	98,538	575	99,113
Written back on disposals	–	(10,426)	(49,526)	(4,838)	(3,485)	–	(68,275)	–	(68,275)
At 31 July 2009	43,852	5,839	469,769	28,528	17,093	–	565,081	3,793	568,874
Net book value:									
At 31 July 2009	290,620	9,921	528,801	15,524	5,876	6,016	856,758	24,815	881,573
At 31 July 2008	301,618	14,508	478,318	16,410	5,997	4,260	821,111	25,533	846,644

14 FIXED ASSETS (CONTINUED)

(b) The Company

	Buildings held for own use $'000	Office equipment, furniture and fixtures $'000	Total $'000
Cost:			
At 31 July 2008 and 2009	7,247	200	7,447
Accumulated depreciation:			
At 1 August 2007	797	193	990
Charge for the year	145	3	148
At 31 July 2008	942	196	1,138
At 1 August 2008	942	196	1,138
Charge for the year	145	2	147
At 31 July 2009	1,087	198	1,285
Net book value:			
At 31 July 2009	6,160	2	6,162
At 31 July 2008	6,305	4	6,309

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

	The Group		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
In Hong Kong				
– Medium-term leases	**6,160**	6,305	**6,160**	6,305
Outside Hong Kong				
– Medium-term leases	**309,275**	320,846	**–**	–
	315,435	327,151	**6,160**	6,305
Representing:				
Buildings held for own use	**290,620**	301,618	**6,160**	6,305
Interests in leasehold land held for own use under operating leases	**24,815**	25,533	**–**	–
	315,435	327,151	**6,160**	6,305

14 FIXED ASSETS (CONTINUED)

(d) At 31 July 2009 and 2008, certain fixed assets have been pledged as security for the bank loans (note 23(b)).

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

During the year, additions to plant and machinery of the Group financed by new finance leases were $24,866,000 (2008: Nil). At the balance sheet date, the net book value of plant and machinery held under finance leases of the Group was $23,187,000 (2008: $17,062,000).

15 GOODWILL

	The Group
	$'000
Cost and carrying amount:	
At 31 July 2008 and 2009	2,172

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

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	$'000	$'000
Unlisted shares, at cost	**425,140**	412,470

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries at 31 July 2009 are set out below. All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements.

				Proportion of ownership interest			
Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
V.S. International Industry Limited	BVI	Hong Kong	US$100	100%	100%	–	Investment holding
VS Investment Holdings Limited	BVI	N/A	$54,000,025	100%	100%	–	Dormant
V.S. Corporation (Hong Kong) Co. Limited ("VSHK")	Hong Kong	Hong Kong	$75,000,002 (75,000,000 non-voting deferred shares of $1 each and 2 ordinary shares of $1 each (note (iv)))	100%	–	100%	Investment holding
V.S. Industry (Shenzhen) Co., Ltd.	PRC	PRC	$10,000,000	100%	–	100%	Dormant
VS Zhuhai (note (i))	PRC	PRC	US$36,820,000	100%	–	100%	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
Haivs (note (i))	PRC	PRC	RMB32,150,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
Qingdao GS (note (i))	PRC	PRC	RMB73,980,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
Qingdao GP Electronic Plastics Co., Ltd. (note (ii))	PRC	PRC	US$11,000,000	100%	–	100%	Manufacturing and selling of plastic moulded products and Parts
Qingdao Mold (note (i))	PRC	PRC	US$761,934	100%	–	100%	Manufacturing and selling of plastic injection moulds

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
VSA Holding Hong Kong Co., Limited ("VSA(HK)")	Hong Kong	PRC	$15,600,000	71%	–	71%	Assembling and selling of electronic products, parts and components
VSA Zhuhai (note (iii))	PRC	PRC	US$11,920,000	100%	–	100%	Assembling and selling of electronic products, parts and components
V.S. Capital Holdings Limited	Hong Kong	N/A	$2	100%	–	100%	Dormant
V.S. Resources Holdings Limited	BVI	Hong Kong	US$100	100%	100%	–	Investment holding
VSI Zhuhai (note (ii))	PRC	PRC	US$7,959,050	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Holding Vietnam Limited	BVI	Hong Kong	US$100	100%	100%	–	Investment holding
V.S. Industry Holding Limited	Hong Kong	Hong Kong	$100	100%	100%	–	Investment holding
V.S. Electronics (Zhuhai) Co., Ltd. (note (ii))	PRC	PRC	RMB3,070,000	100%	–	100%	Assembling and selling of electronic products, parts and components

Notes:

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

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

(iii) This is a foreign equity joint venture company established in the PRC. The registered capital is held by three of the Company's subsidiaries.

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

17 INTERESTS IN ASSOCIATES

	The Group	
	2009	2008
	$'000	$'000
Share of net assets	**14,171**	13,327
Goodwill	**8,521**	8,521
	22,692	21,848

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

Name of associate	Form of business structure	Place of incorporation	Place of operation	Particulars of capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiaries	Principal activity
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 selling of plastic moulded products and parts
VS-Usotor (Zhuhai) Co., Ltd. ("VS-Usotor")	Sino-foreign equity joint venture	PRC	PRC	Registered Capital $6,200,000	15.3% (note)	15.3%	Manufacturing and selling of metal stamped parts and components

Note:

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.

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

	2009	2008
	$'000	$'000
Assets	**340,155**	321,535
Liabilities	**(243,581)**	(232,336)
Equity	**96,574**	89,199
Revenues	**262,409**	255,167
Profits	**3,553**	11,659

18 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2009	2008
	$'000	$'000
Raw materials	**68,165**	67,557
Work-in-progress	**44,150**	58,979
Finished goods	**32,575**	36,957
	144,890	163,493

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

	The Group	
	2009	2008
	$'000	$'000
Carrying amount of inventories sold	**1,091,499**	1,227,165
Write down of inventories	**2,155**	5,164
Reversal of write-down of inventories	**(587)**	(768)
	1,093,067	1,231,561

The reversal of write-down of inventories arose due to an increase in the estimated net realisable value of certain goods as a result of a change in consumer preferences. Inventories are expected to be recovered within one year.

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade receivables	**209,293**	235,367	**–**	–
Bills receivable (note (i))	**39,393**	44,145	**–**	–
Less: allowance for doubtful debts	**(2,563)**	(1,541)	**–**	–
	246,123	277,971	**–**	–
Amounts due from subsidiaries	**–**	–	**55,196**	54,469
Other receivables, prepayments and deposits	**47,291**	44,040	**30**	30
Acquisition deposits (note (ii))	**13,739**	25,147	**–**	–
	307,153	347,158	**55,226**	54,499

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Notes:

(i) As at 31 July 2009, certain bills receivables amounting to $32,483,000 (2008: $29,225,000) have been pledged to banks as security in connection with certain banking facilities (note 23(b)).

(ii) During the year ended 31 July 2008, the Group paid a deposit of $11,408,000 to an independent third party ("Possible Cooperation Partner"), whose principal businesses include, among others, exploration for natural resources in Heilongjiang Province, the PRC, for an exclusive right of negotiation in relation to the strategic investment in or cooperation between the Possible Cooperation Partner and the Group.

On 19 June 2008, the Group entered into an agreement with the Possible Cooperation Partner 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 the exploration for natural resources in Heilongjiang Province in the PRC. The agreement will only be effective when the capital injection and verification process is completed.

The Group subsequently entered into a supplementary agreement with the Possible Cooperation Partner 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.

During the year ended 31 July 2009, the deposit of $11,408,000 was refunded by the Possible Cooperation Partner and the Group has injected the first instalment of approximately $8,035,000 into Heilongjiang Savoy.

On 10 August 2009, resolutions were passed by the directors of Heilongjiang Savoy to approve a further extension of the due date for settlement of the remaining balance of $16,407,000 (the "Balance") from 31 July 2009 to 31 December 2009. The shareholders of Heilongjiang Savoy also entered into supplemental agreements ("Supplemental Agreement and Articles") to amend the relevant provisions in the joint venture agreement and articles of Heilongjiang Savoy to further extend the due date for settlement of the Balance from 31 July 2009 to 31 December 2009. The Supplemental Agreement and Articles were effective upon approval obtained from the PRC approving authorities on 19 August 2009. Since the capital injection and verification had not been completed as at 31 July 2009, the amount paid of $8,035,000 is included within acquisition deposits as at 31 July 2009.

Heilongjiang Savoy has not started operations up to the date of this report. The directors are of the view that the Group did not have any financial and operational control over Heilongjiang Savoy at 31 July 2009.

In addition to the above, the Group also paid a refundable deposit of $5,704,000 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.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	The Group	
	2009	2008
	$'000	$'000
Current	**214,056**	251,316
Less than 1 month past due	**16,470**	19,712
1 to 3 months past due	**10,323**	4,741
More than 3 months but less than 12 months past due	**5,274**	2,202
Amounts past due	**32,067**	26,655
	246,123	277,971

Credit terms granted by the Group to customers generally range from 30 to 120 days. Further details on the Group's credit policy are set out in note 29(a).

(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 year, including both specific and collective loss components, is as follows:

	2009	2008
	$'000	$'000
At 1 August	**1,541**	2,018
Impairment loss recognised (note 6(b))	**1,076**	271
Uncollectible amounts written off	**(54)**	(748)
At 31 July	**2,563**	1,541

At 31 July 2009, the Group's trade receivables of $16,185,000 (2008: $22,043,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts totalling $2,563,000 have been recognised as at 31 July 2009 (2008: $1,541,000) after considering subsequent settlement and other relevant factors. The Group does not hold any collateral over these balances.

19 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:

	2009 $'000	2008 $'000
Neither past due nor impaired	214,056	232,122
Less than 1 month past due	16,470	19,712
1 to 3 months past due	1,975	2,553
More than 3 months but less than 12 months past due	–	–
	18,445	22,265
	232,501	254,387

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. The Group does not hold any collateral over these balances.

20 DEPOSITS WITH BANKS

	The Group	
	2009 $'000	2008 $'000
Deposits with banks with original maturity date over three months	3,372	9,365
Pledged fixed deposits with banks	47,249	46,794
	50,621	56,159

Pledged fixed deposits with banks have been pledged to banks as security for certain banking facilities, including trade finance, overdrafts and bank loans (note 23(b)).

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**100,431**	115,626	**241**	781
Cash and cash equivalents in the balance sheet	**100,431**	115,626	**241**	781
Bank overdrafts (note 23(a))	**(27,787)**	(5,565)		
Cash and cash equivalents in the consolidated cash flow statement	**72,644**	110,061		

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Amounts due to subsidiaries	**–**	–	**155,801**	137,720
Trade payables	**186,492**	206,742	**–**	–
Bills payable	**16,684**	21,985	**–**	–
Deferred income (note 22(a))	**–**	–	**14,512**	21,711
Payables for the purchase of fixed assets (note 22(c))	**74,559**	23,462	**–**	–
Accrued expenses and other payables	**66,166**	66,749	**1,458**	3,022
Unrealised loss on derivative financial instruments	**–**	593	**–**	–
	343,901	319,531	**171,771**	162,453

Except for the other payables mentioned in note 22(a) and (c), all of the trade and other payables, including amounts due to subsidiaries, are expected to be settled or recognised as income within one year. Amounts due to subsidiaries are unsecured, interest free and repayable upon demand.

22 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Deferred income

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

	The Company	
	2009	2008
	$'000	$'000
Financial guarantees issued	**44,762**	51,524
To be amortised within one year	**(14,512)**	(21,711)
To be amortised after one year	**30,250**	29,813

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

	The Group	
	2009	2008
	$'000	$'000
Due within 1 month or on demand	**77,144**	72,411
Due after 1 month but within 3 months	**90,852**	107,970
Due after 3 months but within 6 months	**35,180**	48,346
	203,176	228,727

(c) Payables for the purchase of fixed assets

During the year ended 31 July 2009, the Group acquired certain fixed assets from suppliers under instalment terms ranging from 18 months to 30 months. Included in payables for the purchase of fixed assets is the current portion of the amounts payable to fixed assets suppliers under instalment terms. An analysis of the amounts due to fixed assets suppliers under instalment terms is as follows:

	The Group	
	2009	2008
	$'000	$'000
Current:		
Within 1 year or on demand	**11,510**	–
Non-current:		
After 1 year but within 2 years	**17,057**	–
	28,567	–

Amounts due to suppliers under instalment terms are unsecured and bear interest at 7.5%-9.7% per annum.

23 INTEREST-BEARING BORROWINGS

	The Group	
	2009	2008
	$'000	$'000
Current:		
Within 1 year or on demand	**334,824**	354,316
Non-current:		
After 1 year but within 2 years	**24,000**	78,604
After 2 years but within 5 years	**282,974**	240,009
	306,974	318,613
	641,798	672,929

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

	The Group	
	2009	2008
	$'000	$'000
Current:		
Overdrafts		
– secured (note 21)	**27,787**	5,565
Bank loans		
– secured	**251,696**	233,192
– unsecured	**55,341**	115,559
	307,037	348,751
	334,824	354,316
Non-current:		
Bank loans		
– secured	**306,974**	318,613
	641,798	672,929

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

23 INTEREST-BEARING BORROWINGS (CONTINUED)

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

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Bills receivable (note 19)	**32,483**	29,225	**–**	–
Fixed deposits (note 20)	**47,249**	46,794	**–**	–
Buildings held for own use with aggregate carrying value (note 14(d))	**281,043**	272,947	**6,161**	6,305
Plant and machinery with aggregate carrying value (note 14(d))	**53,200**	–	**–**	–
Interests in leasehold land held for own use under operating leases with aggregate carrying value (note 14(d))	**24,815**	21,883	**–**	–
	438,790	370,849	**6,161**	6,305

The above-mentioned secured banking facilities, totalling $662,098,000 (2008: $603,503,000), were utilised to the extent of $603,141,000 (2008: $579,355,000) at 31 July 2009. The Group's banking facilities also included certain unsecured banking facilities, totalling $159,936,000 (2008: $224,487,000), which were utilised to the extent of $55,341,000 (2008: $115,559,000) at 31 July 2009.

(c) Two (2008: 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. Further details of the Group's management of liquidity risk are set out in note 29(b). As at 31 July 2009 and 31 July 2008, none of the covenants relating to drawn down facilities had been breached.

24 OBLIGATIONS UNDER FINANCE LEASES

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

	The Group					
	2009			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	8,289	1,803	10,092	3,270	87	3,357
After one year but within two years	9,946	934	10,880	–	–	–
After two years but within five years	4,144	102	4,246	–	–	–
	22,379	2,839	25,218	3,270	87	3,357

The Company had given a corporate guarantee in respect of the lease obligations as at 31 July 2008.

25 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 the directors of the Company are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to subscribe for shares in the Company at an exercise price of $0.323 ("Subscription Price") per share.

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.

25 SHARE OPTION SCHEME (CONTINUED)

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. 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.

(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:

			Options granted		
Date granted	**Vesting period**	**Exercise period**	**Directors**	**Employees**	**Total**
			'000	'000	'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
			36,100	49,400	85,500

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.

25 SHARE OPTION SCHEME (CONTINUED)

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

	2009 Weighted average exercise price	2009 Number of options '000	2008 Weighted average exercise price	2008 Number of options '000
Outstanding at the beginning of the year	**$0.323**	**85,500**	–	–
Granted during the year	**–**	**–**	$0.323	85,500
Lapsed during the year	**$0.323**	**(85,500)**	–	–
Outstanding at the end of the year	**–**	**–**	$0.323	85,500
Exercisable at the end of the year	**–**	**–**	$0.323	85,500

All the Options lapsed during the year ended 31 July 2009. The Options outstanding at 31 July 2008 had an exercise price of $0.323 and a weighted average remaining contractual life of one year.

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group 2009 $'000	The Group 2008 $'000
Balance of income tax provision relating to prior years	**883**	–
Provision for PRC income tax for the year	**4,918**	4,579
Over-provision in respect of prior years	**(713)**	–
Provision for income tax arising on restructuring of equity interests in the PRC subsidiaries	**7,500**	–
Tax paid	**(4,444)**	(3,696)
PRC income tax payable	**8,144**	883

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (CONTINUED)

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movement during the year are as follows:

	The Group		
	Deferred tax on accumulated losses of PRC subsidiaries $'000	Withholding tax on future dividend income from PRC subsidiaries (Note 7(a)) $'000	Total $'000
Deferred tax arising from:			
At 1 August 2007	–	–	–
Charged to profit or loss	–	(2,046)	(2,046)
At 31 July 2008	–	(2,046)	(2,046)
At 1 August 2008	–	(2,046)	(2,046)
Credited/(charged) to profit or loss	6,499	648	7,147
At 31 July 2009	6,499	(1,398)	5,101

	2009 $'000	2008 $'000
Net deferred tax asset recognised on the balance sheet	**6,499**	–
Net deferred tax liability recognised on the balance sheet	**(1,398)**	(2,046)
	5,101	(2,046)

(c) Deferred tax assets not recognised:

No deferred tax assets in respect of cumulative tax losses of $58,361,000 (2008: $40,534,000) have been recognised as it is not probable that the 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, other deferred tax assets or liabilities have not been recognised as all the deductible or temporary differences are not material.

27 SHARE CAPITAL

(a) Share capital

	2009		2008	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid:				
At 1 August and 31 July	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 share options at balance sheet date.

Exercise period	Exercise price	Number of options 2009 '000	Exercise price	Number of options 2008 '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 share option entitled the holder to subscribe for one ordinary share in the Company. All outstanding share options lapsed during the year ended 31 July 2009. Further details of these share options are set out in note 25 to the financial statements.

27 SHARE CAPITAL (CONTINUED)

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing borrowings, trade and other payables, obligations under finance leases and loan from a substantial shareholder), less cash and cash equivalents and deposits with banks. Adjusted capital comprises all components of equity.

During the year ended 31 July 2009, the Group's strategy was to maintain the net debt-to-adjusted capital ratio below 200%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 SHARE CAPITAL (CONTINUED)

(b) Capital management (continued)

The net debt-to-adjusted capital ratio at 31 July 2009 and 2008 was as follows:

	The Group	
	2009	2008
	$'000	$'000
Current liabilities:		
Trade and other payables (note 22)	343,901	319,531
Interest-bearing borrowings (note 23)	334,824	354,316
Obligations under finance leases (note 24)	8,289	3,270
Loan from a substantial shareholder (note 32(c))	7,300	4,899
	694,314	682,016
Non-current liabilities:		
Other payables (note 22(c))	17,057	–
Interest-bearing borrowings (note 23)	306,974	318,613
Obligations under finance leases (note 24)	14,090	–
Loan from a substantial shareholder (note 32(c))	9,733	14,697
Total debt	1,042,168	1,015,326
Less: Deposits with banks (note 20)	(50,621)	(56,159)
Cash and cash equivalents (note 21)	(100,431)	(115,626)
Net debt	891,116	843,541
Adjusted capital	464,321	534,845
Net debt-to-adjusted capital ratio	192%	158%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 RESERVES

(a) The Group

		Attributable to equity holders of the Company								
	Note	Share premium $'000 (note 28(b)(i))	Capital reserve $'000 (note 28(b)(i))	Foreign exchange translation reserve $'000 (note (i))	Statutory reserve fund $'000 (note (ii))	Employee share-based capital reserve $'000 (note 28(b)(ii))	Retained profits $'000	Total $'000	Minority interests $'000	Total $'000
At 1 August 2007		72,006	18,254	49,614	29,040	–	244,083	412,997	4,085	417,082
Equity settled share-based transactions	25	–	–	–	–	6,556	–	6,556	–	6,556
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	65,386	–	–	–	65,386	–	65,386
Dividend approved in respect of previous year		–	(8,670)	–	–	–	–	(8,670)	–	(8,670)
Appropriation of reserves		–	–	–	10,095	–	(10,095)	–	–	–
Profit for the year		–	–	–	–	–	11,464	11,464	(322)	11,142
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
Share options lapsed during the year	25	–	–	–	–	(6,556)	6,556	–	–	–
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	(1,657)	–	–	–	(1,657)	–	(1,657)
Appropriation of reserves		–	–	–	4,880	–	(4,880)	–	–	–
Loss for the year		–	–	–	–	–	(68,685)	(68,685)	(182)	(68,867)
At 31 July 2009		72,006	9,584	113,343	44,015	–	178,443	417,391	3,581	420,972

Notes:

(i) Foreign exchange translation reserve

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

(ii) Statutory reserve fund

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

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

28 RESERVES (CONTINUED)

(b) The Company

	Share premium $'000 (note (i))	Contributed surplus $'000 (note (i))	Employee share-based capital reserve $'000 (note (ii))	Retained profits $'000	Total $'000
At 1 August 2007	72,006	147,376	–	11,165	230,547
Equity settled share-based transactions	–	–	6,556	–	6,556
Dividend approved in respect of the previous year	–	(8,670)	–	–	(8,670)
Profit for the year (note 10)	–	–	–	10,011	10,011
At 31 July 2008	72,006	138,706	6,556	21,176	238,444
At 1 August 2008	72,006	138,706	6,556	21,176	238,444
Share options lapsed during the year	–	–	(6,556)	6,556	–
Profit for the year (note 10)	–	–	–	2,955	2,955
At 31 July 2009	72,006	138,706	–	30,687	241,399

Notes:

(i) Share premium, capital reserve and contributed surplus

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

(b) Pursuant to a reorganisation, the Company became the holding company of the Group on 20 January 2002. The excess of the consolidated net assets represented by the shares acquired over the nominal value of shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus. In the consolidated financial statements, the capital reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares used by the Company in exchange thereafter.

(ii) Employee share-based capital reserve

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

(iii) Distributable reserves

As 31 July 2009, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to $241,399,000 (2008: $231,888,000) subject to the restrictions stated above.

29 FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payment when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and other receivables are due within 30 to 120 days from the date of billing. Debtors with balances that are more than 12 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 2% (2008: 12%) and 22% (2008: 30%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

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

29 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2009					2008				
	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Trade and other payables	360,958	363,415	345,528	17,887	–	319,531	319,531	319,531	–	–
Interest-bearing borrowings	641,798	721,512	353,857	26,026	341,629	672,929	786,542	396,511	102,067	287,964
Obligations under finance leases	22,379	25,218	10,092	10,880	4,246	3,270	3,357	3,357	–	–
Loans from a substantial shareholder	17,033	18,756	8,409	5,296	5,051	19,596	21,337	5,704	5,463	10,170
	1,042,168	1,128,901	717,886	60,089	350,926	1,015,326	1,130,767	725,103	107,530	298,134

The Company

	2009			2008		
	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000
Other payables	1,458	1,458	1,458	3,022	3,022	3,022
Amounts due to subsidiaries	155,801	155,801	155,801	137,720	137,720	137,720
	157,259	157,259	157,259	140,742	140,742	140,742

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings issued at variable rates. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group adopts a policy of ensuring that between 10% and 20% of its net borrowings are effectively on a fixed rate basis through the contractual terms of the interest-bearing financial liabilities. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest bearing borrowings at the balance sheet date.

	The Group			
	2009		2008	
	Effective interest rates %	**Amount $'000**	Effective interest rates %	Amount $'000
Fixed rate borrowings:				
Other payables	**7.9%**	**28,567**	–	–
Loans from a substantial shareholder	**5.0%**	**17,033**	5.0%	19,596
Bank loans	**7.0%**	**45,935**	6.6%	80,516
		91,535		100,112
Variable rate borrowings:				
Bank overdrafts	**7.8%**	**27,787**	7.6%	5,565
Bank loans	**5.2%**	**568,076**	7.4%	586,848
Obligations under finance leases	**8.1%**	**22,379**	7.1%	3,270
		618,242		595,683
Total net borrowings		**709,777**		695,795
Fixed rate borrowings as a percentage of total net borrowings		**12.9%**		14.4 %

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 July 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have increased/decreased the Group's loss after taxation and retained profits by approximately $5,450,000 (2008: $5,135,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis has been performed on the same basis for 2008.

(d) Currency risk

(i) Forecast transactions

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

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

As the HKD is pegged to the USD, the Group does not expect any significant currency risk of Hong Kong dollar position. Some of the Group's sales transactions are denominated in USD. In view of the appreciation of RMB against USD during the year ended 31 July 2009, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD. In view of the foreign currency risk exposure, the Group entered into certain forward exchange contracts with aggregate notional contract amounts of USD12,560,000 during the year ended 31 July 2009 (2008: USD83,350,000) to hedge against the trade receivables denominated in USD. All forward exchange contracts were settled during the year ended 31 July 2009 and there were no outstanding forward foreign exchange contracts at 31 July 2009. A net realised loss of $1,434,000 on settlement of forward exchange contracts entered into during the year ended 31 July 2009 is included in "Net loss on forward exchange contracts" in note 4 to the financial statements.

29 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(i) Forecast transactions (continued)

The aggregate fair value of the loss relating to outstanding forward foreign exchange contracts at 31 July 2008 which amounted to $593,000 was recognised as derivative financial instruments at 31 July 2008. The changes in fair value of the forward foreign exchange contracts were recognised in the income statement for the year ended 31 July 2008 (see note 4).

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

(ii) Recognised assets and liabilities

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

The Group's borrowings are mainly denominated in USD, HKD and RMB. In view of the appreciation of RMB against the USD/HKD, the Group adopts a policy to increase the portion of USD/HKD denominated borrowings as compared to RMB denominated borrowings gradually. The balance of USD/HKD and RMB denominated borrowings as at 31 July 2009 amounted to $585,723,000 (2008: $556,429,000) and $124,054,000 (2008: $139,366,000) respectively.

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate:

	The Group											
	USD		HKD		RMB		Japanese Yen		Euros		Singapore Dollars	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Trade and other receivables	2,665	4,660	24,813	19,935	27,159	39,196	–	–	–	–	–	–
Deposits with bank	1,458	1,436	–	–	2,973	10,680	–	–	–	–	–	–
Cash and cash equivalents	2,149	1,904	4,808	2,215	12,610	41,218	–	–	–	–	–	–
Trade and other payables	(5,788)	(995)	(7,146)	(11,855)	(93,140)	(94,614)	(480,358)	(2,176)	(9)	(16)	–	(566)
Interest-bearing borrowings	(17,259)	(18,960)	(265,222)	(257,600)	(60,729)	(82,150)	–	–	–	–	–	–
Overall net exposure	(16,775)	(11,955)	(242,747)	(247,305)	(111,127)	(85,670)	(480,358)	(2,176)	(9)	(16)	–	(566)

The Company is not exposed to significant currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Company.

29 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Recognised assets and liabilities (continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's loss after taxation (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	2009			2008	
	Increase in foreign exchange rates %	**Effect on loss after taxation $'000**	**Effect on retained earnings $'000**	Increase in foreign exchange rates %	Effect on profit after taxation and retained profits $'000
USD	**8 %**	**7,651**	**(7,651)**	8 %	(5,158)
RMB	**8 %**	**7,834**	**(7,834)**	8 %	(6,574)
Japanese Yen	**5 %**	**1,824**	**(1,824)**	5 %	(7)
Euros	**8 %**	**5**	**(5)**	8 %	(11)
Singapore Dollars	**–**	**–**	**–**	5 %	(130)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The same degree of weakening of the foreign exchange rates at 31 July 2009 would have had the equal but opposite effect by the amounts shown above.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' loss or profit after taxation and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis has been performed on the same basis for 2008.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 July 2009 and 2008.

(f) Estimation of fair value

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

(i) Derivatives

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

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

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

(iii) Financial guarantees

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

(iv) Interest rate used for determining fair value

The market interest rates adopted are as follows:

	The Group	
	2009	2008
Other payables	**7.5%-9.7%**	–
Loans and borrowings	**3.6%-7.5%**	6.0%-8.2%
Loan from a substantial shareholder	**5.0%-5.6%**	5.0%-5.6%
Finance lease liabilities	**6.6% – 8.6%**	5.3%-7.3%

30 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 July 2009 not provided for in the financial statements are as follows:

	The Group	
	2009	2008
	$'000	$'000
Contracted for	**32,765**	120,514

(b) Operating lease commitments

The Group leases a number of properties under operating leases. The leases typically run for periods from one year to three years with an option to renew the lease upon expiry when all terms are renegotiated. Lease charges in respect of these operating leases amounted to $9,302,000 (2008: $10,476,000) were recognised as expenses in the consolidated income statement. None of the leases includes contingent rentals.

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

	The Group	
	2009	2008
	$'000	$'000
Within one year	**708**	1,796

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

31 CONTINGENT LIABILITIES

The Group is contingently liable in respect of the legal case as set out in note 6(b) to these financial statements. In the opinion of the directors, based on the advice of the PRC legal counsel of the Group, the maximum amount of penalty which may be charged is considered to be inconsequential to the consolidated financial statements were the Group found to be guilty.

The contingent liabilities of the Company as at 31 July 2009 were as follows:

	2009	2008
	$'000	$'000
Guarantees given to banks by the Company in respect of finance lease obligations of a subsidiary	**–**	3,270
Guarantees given to banks by the Company in respect of banking facilities utilised by certain subsidiaries	**554,546**	566,902
Guarantees given to suppliers of credit facilities utilised by certain subsidiaries	**7,390**	5,534
	561,936	575,706

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

32 MATERIAL RELATED PARTY TRANSACTIONS

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

	The Group	
	2009	2008
	$'000	$'000
Sales to a substantial shareholder	**10,098**	22,206
Sales to an associate	**581**	–
Sales to a minority shareholders of VSA(HK)	**15,908**	20,130
	26,587	42,336

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2009	2008
	$'000	$'000
Interest paid and payable to a substantial shareholder (note 32(c))	**850**	1,053
Royalty fee paid and payable to a minority shareholder of VSA(HK)	**907**	1,052
Technical advisory fee paid and payable to a minority shareholder of VSA(HK)	**2,394**	2,177
Operating lease charges paid and payable to a company controlled by a director	**6,600**	7,360
Operating lease charges received and receivable from associates	**–**	1,014
Purchase of raw materials from an associate	**304**	1,086
Management fee paid and payable to a company controlled by a director	**477**	532
Sub-contracting fee paid and payable to a company controlled by the family member of a director	**6,373**	6,798
Repair and maintenance services paid and payable to a company controlled by the family member of a director	**503**	–

Note:

The directors are of the opinion that the above transactions were conducted in accordance with the underlying agreements entered into with the related parties in the ordinary course of business of the Group.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2009	2008
	$'000	$'000
Amount due from a minority shareholder of VSA(HK)	**2,477**	1,444
Amount due from a company controlled by a director	**5,728**	5,803
Amount due from associates	**3,963**	5,157
Amount due from a substantial shareholder	**1,067**	2,570
	13,235	14,974

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:

	The Group			
	2009		2008	
	Trade and other payables $'000	**Loan from a substantial shareholder* $'000**	Trade and other payables $'000	Loan from a substantial shareholder* $'000
Amount due to directors	**300**	**–**	1,095	–
Amount due to a company controlled by a director	**183**	**–**	33	–
Amount due to a company controlled by the family member of a director	**2,174**	**–**	2,432	–
Amount due to associates	**98**	**–**	272	–
Amount due to a minority shareholder of VSA(HK)	**961**	**–**	552	–
Amount due to a substantial shareholder				
– current portion	**1,721**	**7,300**	1,744	4,899
– non-current portion	**–**	**9,733**	–	14,697
	5,437	**17,033**	6,128	19,596

* 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 $850,000 (2008: $1,053,000) for the year ended 31 July 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.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

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

33 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Going concern basis of preparation

As disclosed in note 1(b), the financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including business forecasts and cash flow projections for the year ending 31 July 2010. Such forecasts and projections about the future inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

(b) Depreciation

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

(c) Provision for inventories

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

(d) Impairment losses for bad and doubtful debts

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

(Expressed in Hong Kong dollars unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 JULY 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 July 2009 and which have not been adopted in these financial statements.

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

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

		Effective for accounting periods beginning on or after
HKFRS 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
Amendments to HKFRS 7	Financial instruments: Disclosures-improving disclosures about financial instruments	1 January 2009
Improvements to HKFRSs (2008)		1 January 2009
Improvements to HKFRSs (2009)		1 July 2009

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
Ng Ting On, Polly

REGISTERED OFFICE
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Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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HSBC House
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Grand Cayman
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
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Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS
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AUDITORS
KPMG
Certified Public Accountants
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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
VSA Holding Hong Kong Co., Limited
V.S. Capital Holdings Limited
V.S. Industry Holding Limited
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V.S. Technology Industry Park (Zhuhai) Co., Ltd.
V.S. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
V.S. Electronics (Zhuhai) Co., Ltd.
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Qingdao Economic and Technology Development Zone
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Shandong Province
The People's Republic of China
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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
Shangdong Provine
The People's Republic of China
Tel, No: (86) 532 8792 3666
Fax No: (86) 532 8792 3660

ASSOCIATED COMPANIES

VS-Usotor (Zhuhai) Co., Ltd.
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Xiangzhou District
519085 Zhuhai
Guangdong Province
The People's Republic of China
Tel. No: (86) 756 3866 988
Fax No: (86) 756 3630 699

VS Industry Vietnam Joint Stock Company
Quevo Industrial Park, Vanduong Commune
Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 241 3634 300
Fax No: (84) 241 3634 308

1 MAJOR PROPERTY UNDER DEVELOPMENT

Location	Intended use	Expected date of completion	Site area (sq.m.)	Group interest (%)
Outside Hong Kong				
Vacant land situated at Beisha Village Tangjia Wan Town Xiangzhou District Zhuhai Guangdong Province The People's Republic of China	Industrial	July 2010	39,600	100

2 MAJOR PROPERTIES HELD FOR OWN USE

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

Five Years Summary

(Expressed in Hong Kong dollars)

		2009	2008	2007	2006	2005
		$'000	$'000	$'000	$'000	$'000
Results						
Turnover		**1,198,829**	1,374,223	1,495,291	1,402,260	1,226,909
(Loss)/profit from operations		**(17,857)**	58,228	118,049	110,630	78,925
Finance costs		**(47,296)**	(47,650)	(54,961)	(53,453)	(45,611)
Share of profits less losses of associates		**844**	1,903	(4,782)	(5,446)	(3,296)
Gain on disposal of associates		**–**	5,286	–	–	–
(Loss)/profit before taxation		**(64,309)**	17,767	58,306	51,731	30,018
Income tax		**(4,558)**	(6,625)	(8,615)	(6,291)	(4,082)
(Loss)/profit for the year		**(68,867)**	11,142	49,691	45,440	25,936
Attributable to:						
Equity shareholders of the Company		**(68,685)**	11,464	50,137	45,323	24,587
Minority interests		**(182)**	(322)	(446)	117	1,349
(Loss)/profit for the year		**(68,867)**	11,142	49,691	45,440	25,936
Assets and liabilities						
Non-current assets		**912,936**	870,664	822,391	759,813	759,065
Current assets		**603,095**	682,436	678,072	687,857	707,322
Total assets		**1,516,031**	1,553,100	1,500,463	1,447,670	1,466,387
Current liabilities		**(702,458)**	(682,899)	(826,802)	(799,995)	(821,601)
Non-current liabilities		**(349,252)**	(335,356)	(213,230)	(268,151)	(314,982)
NET ASSETS		**464,321**	534,845	460,431	379,524	329,804
Share capital		**43,349**	43,349	43,349	41,961	41,000
Reserves		**417,391**	487,733	412,997	332,453	283,291
Minority interests		**3,581**	3,763	4,085	5,110	5,513
TOTAL EQUITY		**464,321**	534,845	460,431	379,524	329,804
(Loss)/earnings per share						
Basic		**(7.92) Cents**	1.32 cents	5.87 cents	5.48 cents	3.00 cents
Diluted	Note	**(7.92) Cents**	1.32 cents	5.83 cents	5.45 cents	3.00 cents

Note:

The calculation of diluted earnings per share for the years ended 31 July 2005, 2006 and 2007 was based on the profit attributable to ordinary shareholders of $24,587,000, $45,323,000 and 11,464,000 respectively and weighted average number of ordinary shares of 820,107,903, 831,323,321 and 859,502,362 respectively, after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme. There were no potential dilutive ordinary shares in existence during the years ended 31 July 2008 and 2009.