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)

Interim Report 2010/11

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Lee Soo Gee
Tang Sim Cheow

AUDIT COMMITTEE OF THE BOARD

Diong Tai Pew *(Chairman of the Audit Committee)*
Lee Soo Gee
Tang Sim Cheow

REMUNERATION COMMITTEE OF THE BOARD

Lee Soo Gee
(Chairman of the Remuneration Committee)
Beh Kim Ling
Diong Tai Pew

COMPANY SECRETARY

Ng Ting On, Polly

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Connaught Place
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HSBC House, 68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

AUDITORS

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

PRINCIPAL BANKERS

Malayan Banking Berhad
The Bank of East Asia (China) Limited
Industrial & Commercial Bank of China Ltd.
Agricultural Bank of China

Corporate Information

SUBSIDIARIES

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V.S. Resources Holding Limited
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V.S. Investment Holdings Limited
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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. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
V.S. Electronics (Zhuhai) Co., Ltd.
V.S. Industry (Shenzhen) Co., Ltd.
Beisha Village, Tangjia Wan Town
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266510 Qingdao
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Qingdao GP Precision Mold Co., Ltd.
Hetao Export Processing Zone
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Corporate Information

ASSOCIATED COMPANIES

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Tel. No: (86) 756 3866 988
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VS Industry Vietnam Joint Stock Company
Quevo Industrial Park, Vanduong Commune
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Introduction

The board ("Board") of directors ("Directors") of V.S. International Group Limited ("Company") submits herewith the interim financial report of the Company and its subsidiaries (together, the "Group") for the six months ended 31 January 2011, which has not been audited by the auditors of the Group, KPMG, but has been reviewed by KPMG and the audit committee ("Audit Committee") of the Board.

Consolidated Income Statement (Unaudited)

For the six months ended 31 January 2011
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 January 2011 $'000	2010 $'000
Turnover	3	867,911	784,456
Cost of sales		(780,810)	(704,477)
Gross profit		87,101	79,979
Other net income/(loss)	4	9,444	(5,491)
Distribution costs		(32,970)	(26,164)
Administrative expenses		(50,869)	(40,556)
Profit from operations		12,706	7,768
Finance costs	5(a)	(19,743)	(15,823)
Share of profits less losses of associates		1,805	1,943
Loss before taxation	5	(5,232)	(6,112)
Income tax credit	6(a)	46	1,028
Loss for the period		(5,186)	(5,084)
Attributable to:			
Equity shareholders of the Company		(5,238)	(5,529)
Non-controlling interests		52	445
Loss for the period		(5,186)	(5,084)
Loss per share	7		
Basic		(0.60) cents	(0.64) cents
Diluted		(0.60) cents	(0.64) cents

The notes on pages 14 to 54 form part of this interim financial report.

Consolidated
Statement of Comprehensive Income (Unaudited)

For the six months ended 31 January 2011
(Expressed in Hong Kong dollars)

	Six months ended 31 January 2011 $'000	2010 $'000
Loss for the period	(5,186)	(5,084)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	16,623	2,045
Total comprehensive income/(loss) for the period	11,437	(3,039)
Attributable to:		
Equity shareholders of the Company	11,385	(3,484)
Non-controlling interests	52	445
Total comprehensive income/(loss) for the period	11,437	(3,039)

The notes on pages 14 to 54 form part of this interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 31 January 2011
(Expressed in Hong Kong dollars)

	Note	At 31 January 2011 $'000	At 31 July 2010 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		811,506	830,182
– Interests in leasehold land held for own use under operating leases		25,208	24,793
	8	836,714	854,975
Goodwill	9	2,172	2,172
Deferred tax assets	6(c)	19,643	14,674
Interests in associates	10	25,075	27,004
		883,604	898,825
Current assets			
Inventories	11	232,525	227,151
Trade and other receivables	12	428,352	452,080
Deposits with banks	13	92,174	74,531
Cash and cash equivalents	14	87,493	96,940
		840,544	850,702
Current liabilities			
Trade and other payables	15	441,082	488,744
Interest-bearing borrowings	16(a)	456,016	411,433
Obligations under finance leases	17	10,344	10,051
Loan from a substantial shareholder	22(c)	7,340	6,539
Current taxation	6(b)	9,563	9,387
		924,345	926,154
Net current liabilities		(83,801)	(75,452)
Total assets less current liabilities		799,803	823,373

Consolidated Statement of Financial Position (Unaudited)

At 31 January 2011
(Expressed in Hong Kong dollars)

	Note	At 31 January 2011 $'000	At 31 July 2010 $'000
Non-current liabilities			
Other payables	15(b)	38,619	29,794
Interest-bearing borrowings	16(a)	284,798	322,621
Obligations under finance leases	17	1,724	6,700
Loan from a substantial shareholder	22(c)	2,447	4,877
Deferred tax liabilities	6(c)	1,862	1,762
		329,450	365,754
NET ASSETS		470,353	457,619
CAPITAL AND RESERVES			
Share capital	19	43,349	43,349
Reserves		424,211	411,529
Total equity attributable to equity shareholders of the Company		467,560	454,878
Non-controlling interests		2,793	2,741
TOTAL EQUITY		470,353	457,619

The notes on pages 14 to 54 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 January 2011
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital $'000	Share premium $'000	Capital reserves $'000	Foreign exchange translation reserve $'000	Statutory reserve fund $'000	Employee share-based capital reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
At 1 August 2009	43,349	72,006	9,584	113,343	44,015	–	178,443	460,740	3,581	464,321
Changes in equity for the period										
Loss for the period	–	–	–	–	–	–	(5,529)	(5,529)	445	(5,084)
Other comprehensive income	–	–	–	2,045	–	–	–	2,045	–	2,045
Total comprehensive loss for the period	–	–	–	2,045	–	–	(5,529)	(3,484)	445	(3,039)
At 31 January 2010	43,349	72,006	9,584	115,388	44,015	–	172,914	457,256	4,026	461,282

Consolidated
Statement of Changes in Equity (Unaudited)

For the six months ended 31 January 2011
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital $'000	Share premium $'000	Capital reserves $'000	Foreign exchange translation reserve $'000	Statutory reserve fund $'000	Employee share-based capital reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
At 1 February 2010	43,349	72,006	9,584	115,388	44,015	–	172,914	457,256	4,026	461,282
Changes in equity for the period										
Loss for the period	–	–	–	–	–	–	(8,786)	(8,786)	(51)	(8,837)
Other comprehensive income	–	–	–	3,648	–	–	–	3,648	–	3,648
Total comprehensive loss for the period	–	–	–	3,648	–	–	(8,786)	(5,138)	(51)	(5,189)
Equity settled share-based transactions	–	–	–	–	–	2,911	–	2,911	–	2,911
Acquisition of non-controlling interests	–	–	–	–	–	–	(151)	(151)	(1,234)	(1,385)
At 31 July 2010	43,349	72,006	9,584	119,036	44,015	2,911	163,977	454,878	2,741	457,619

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 January 2011
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital $'000	Share premium $'000	Capital reserves $'000	Foreign exchange translation reserve $'000	Statutory reserve fund $'000	Employee share-based capital reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
At 1 August 2010	43,349	72,006	9,584	119,036	44,015	2,911	163,977	454,878	2,741	457,619
Changes in equity for the period										
Loss for the period	–	–	–	–	–	–	(5,238)	(5,238)	52	(5,186)
Other comprehensive income	–	–	–	16,623	–	–	–	16,623	–	16,623
Total comprehensive income for the period	–	–	–	16,623	–	–	(5,238)	11,385	52	11,437
Equity settled share-based transaction	–	–	–	–	–	1,297	–	1,297	–	1,297
At 31 January 2011	43,349	72,006	9,584	135,659	44,015	4,208	158,739	467,560	2,793	470,353

The notes on pages 14 to 54 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 31 January 2011
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 January 2011 $'000	2010 $'000
Cash generated from operations		60,972	44,382
Income tax paid by the subsidiaries in the People's Republic of China ("PRC")		(4,647)	(2,807)
Net cash generated from operating activities		56,325	41,575
Net cash used in investing activities		(38,177)	(40,726)
Net cash (used in)/generated from financing activities		(21,085)	25,605
Net (decrease)/increase in cash and cash equivalents		(2,937)	26,454
Cash and cash equivalents at 1 August	14	70,255	72,644
Effect of foreign exchange rate changes		(4,486)	(2,096)
Cash and cash equivalents at 31 January	14	62,832	97,002

The notes on pages 14 to 54 form part of this interim financial report.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "*Interim financial reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 26 March 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2010, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 July 2010. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 69 to 70.

The financial information relating to the financial year ended 31 July 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 July 2010 are available from the Company's registered office. The auditors have expressed a modified opinion on those financial statements in their report dated 24 September 2010.

1 BASIS OF PREPARATION (CONTINUED)

As at 31 January 2011, the Group's current liabilities exceeded its current assets by $83,801,000 and the Group incurred a loss of $5,186,000 for the period ended 31 January 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 January 2011, the Group had undrawn banking facilities totalling $257,409,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew its current bank loans upon expiry or to obtain additional banking facilities in order to improve its 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 the banks which enhance the Group's ability to renew its current bank loans upon expiry or secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the interim financial report has been prepared on a going concern basis. 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. The effect of these adjustments has not been affected in this interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain amendments to HKFRSs, HKAS and new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Improvements to HKFRSs (2009)
- HK (Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 23).

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

These amendments and developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- As a result of the amendments to HKAS 27, as from 1 August 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated. The impact of the majority of the revisions to HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The amendment introduced by the *Improvements to HKFRSs* (2009) omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

- The purpose of HK (Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause* is to provide guidance on the classification by the borrower of a term loan that contains a repayment on demand clause, with reference to the criteria for classification of liabilities as current or non-current as set out in HKAS 1. The classification of a term loan in accordance with HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. This is because the borrower under such an agreement does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. This Interpretation had no material impact on the Group's financial statements as the term loan obtained by the Group did not contains a repayment on demand clause.

3 SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable 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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of interests in associates and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning "segment result", management is provided with segment information concerning revenue (including inter-segment), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Six months ended 31 January:								
Turnover from external customers	500,368	462,904	317,493	282,153	50,050	39,399	867,911	784,456
Reportable segment revenue	500,368	462,904	317,493	282,153	50,050	39,399	867,911	784,456
Reportable segment result	16,681	15,212	24,474	22,752	5,203	8,989	46,358	46,953
At 31 January/31 July:								
Reportable segment assets	914,134	941,608	344,612	377,739	138,752	143,177	1,397,498	1,462,524
Addition to non-current segment assets during the period/year	9,459	64,352	1,150	4,639	1,534	222	12,143	69,213
Reportable segment liabilities	246,981	330,826	158,261	141,303	31,316	28,709	436,558	500,838

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 31 January 2011 $'000	Six months ended 31 January 2010 $'000
Revenue		
Reportable segment revenue	867,911	784,456
Consolidated turnover	867,911	784,456

	Six months ended 31 January 2011 $'000	Six months ended 31 January 2010 $'000
Profit		
Reportable segment profit	46,358	46,953
Share of profits less losses of associates	1,805	1,943
Finance costs	(19,743)	(15,823)
Unallocated depreciation and amortisation	(3,985)	(2,690)
Unallocated operating income and expenses	(29,667)	(36,495)
Consolidated loss before taxation	(5,232)	(6,112)

	At 31 January 2011 $'000	At 31 July 2010 $'000
Assets		
Reportable segment assets	1,397,498	1,462,524
Interests in associates	25,075	27,004
Unallocated head office and corporate assets	301,575	259,999
Consolidated total assets	1,724,148	1,749,527

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	At 31 January 2011 $'000	At 31 July 2010 $'000
Liabilities		
Reportable segment liabilities	436,558	500,838
Unallocated head office and corporate liabilities	817,237	791,070
Consolidated total liabilities	1,253,795	1,291,908

(c) Geographical segments

The Group's business participates in seven (2010: seven) major economic environments.

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

Turnover from external customers is analysed as follows:

	Six months ended 31 January	
	2011 $'000	2010 $'000
PRC (other than Taiwan and Hong Kong)	419,033	373,089
Hong Kong	164,357	177,606
United States of America	108,354	84,038
Northern Asia	77,817	64,252
Europe	53,730	51,018
South East Asia	11,729	17,876
South Africa	32,891	16,577
	867,911	784,456

Analysis of the Group's carrying amount of segment non-current assets has not been presented as over 90% of the non-current assets are located in the PRC.

4 OTHER NET INCOME/(LOSS)

	Six months ended 31 January 2011 $'000	2010 $'000
Interest income	945	523
Rentals receivable from operating leases	33	3,121
Net foreign exchange gains/(losses)	3,958	(2,917)
Net loss on disposal of fixed assets	(2,064)	(1,974)
Reversal/(recognition) of impairment losses on acquisition deposits (note (i))	4,752	(5,209)
Fines by local authorities (note (ii))	(2,280)	(57)
Net income from sales of scrap materials	2,271	974
Change in fair value of forward exchange contracts (note (iii) and note 12)	138	–
Net gain on forward foreign exchange contracts	2,004	–
Others	(313)	48
	9,444	(5,491)

Notes:

(i) On 19 June 2008, the Group entered into an agreement with an independent third party 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 would be effective when the capital injection and verification process is completed.

During the year ended 31 July 2009, the Group has injected the first instalment of approximately $8,035,000 ("Injected Capital") into Heilongjiang Savoy.

On 10 August 2009, resolutions were passed by the directors of Heilongjiang Savoy to approve an extension of the due date for settlement of the remaining balance of $16,407,000 from 31 July 2009 to 31 December 2009. The capital injection had not been completed as at 31 July 2010. Management decided to abort the plan to invest in Heilongjiang Savoy and was doubtful in recovering the deposits paid to Heilongjiang Savoy. Provision of $4,909,000 and $8,035,000 were made during the six months ended 31 January 2010 and the year ended 31 July 2010 respectively.

4 OTHER NET INCOME/(LOSS) (CONTINUED)

Notes: (continued)

On 6 December 2010, resolutions were passed by the directors of Heilongjiang Savoy to approve the withdrawal of the investment in Heilongjiang Savoy by the Group. The shareholders of Heilongjiang Savoy also entered into supplemental agreements and articles (the "Agreement"). The parties to the Agreement agreed that a compensation fee (the "Compensation Fee") of RMB2,700,000 (equivalent to $3,283,000) will be paid by the Group to another shareholder for the withdrawal by the Group from Heilongjiang Savoy. The Injected Capital, net of the Compensation fee, was refunded to the Group on 28 January 2011. Therefore a reversal of impairment loss on acquisition deposit of $4,752,000 was recognised for the period ended 31 January 2011.

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. In order to focus on the existing principal activities, management decided to abort the investment plan in Inner Mongolia. During the period ended 31 January 2010, $3,973,000 of the deposit was refunded and $300,000 has been written off to profit or loss.

(ii) During the period ended 31 January 2011, a fine of $2,280,000 were paid to the Custom Bureau in Gongbei District of the PRC（中華人民共和國拱北海關）for underpaid value added tax and custom duties.

(iii) As at 31 January 2011, the notional amounts of the outstanding forward exchange contracts were US$7,000,000 (31 July 2010: Nil). The outstanding forward exchange contracts will expire within one year. The aggregate fair value of the outstanding forward exchange contracts amounted to $138,000 at 31 January 2011 (31 July 2010: Nil) has been recognised as derivative financial instruments. The changes in fair value of the forward exchange contracts were recognised in profit or loss.

5 LOSS BEFORE TAXATION

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

	Six months ended 31 January 2011 $'000	Six months ended 31 January 2010 $'000
(a) Finance costs:		
Interest on bank advances repayable within five years	16,046	12,835
Interest on loan from a substantial shareholder	186	310
Finance charges on obligations under finance leases	604	680
Total borrowing costs	16,836	13,825
Less: borrowing costs capitalised as construction in progress *	(32)	(49)
	16,804	13,776
Other charges	2,939	2,047
	19,743	15,823

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 4.01% (2010: 4.36%) per annum for construction in progress.

5 LOSS BEFORE TAXATION (CONTINUED)

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

	Six months ended 31 January 2011 $'000	Six months ended 31 January 2010 $'000
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	295	288
Depreciation		
– other assets	51,208	48,028
– assets held under finance leases	1,148	1,274
Operating lease charges in respect of properties		
– factory and hostel rentals	5,071	4,839
Impairment losses (reversed)/recognised in respect of		
– trade receivables (note 12(b))	3,115	660
– acquisition deposits (note 4(i))	(4,752)	5,209
Fines by local authorities (note 4(ii))	2,280	57
Change in fair value of forward exchange contracts (note 4(iii) and 12)	138	–
Net gain on forward foreign exchange contracts (note 4(iii))	2,004	–

6 INCOME TAX CREDIT

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

	Six months ended 31 January 2011 $'000	2010 $'000
Current tax-PRC		
Provision for the period	4,823	5,399
Deferred tax		
Origination and reversal of temporary differences	(4,869)	(6,427)
	(46)	(1,028)

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the six months ended 31 January 2011 and 2010.

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 ("CIT Law") which was effective from 1 January 2008. As a result of the CIT Law, taxable income for the subsidiaries of the Company in the PRC is subject to a standard 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.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX CREDIT (CONTINUED)

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

For the period ended 31 January 2011, the following subsidiaries of the Company in the PRC were either subject to standard or preferential income tax rates, except that V.S. Industry (Shenzhen) Co., Ltd. sustained losses for taxation purposes for the period ended 31 January 2011:

Name of subsidiary	Period	Income tax rate
V.S. Technology Industry Park (Zhuhai) Co., Ltd.	1 January 2009 to 31 December 2009	20.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Haivs Industry (Qingdao) Co., Ltd.	1 January 2009 to 31 December 2009	20.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
V.S. Industry (Zhuhai) Co., Ltd.	1 January 2009 to 31 December 2009	20.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 January 2009 to 31 December 2009	10.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Qingdao GP Precision Mold Plastics Co., Ltd.	1 August 2009 to 31 January 2011	25.0%
V.S. Electronics (Zhuhai) Co., Ltd.	1 August 2009 to 31 January 2011	25.0%
VSA Electronics Technology (Zhuhai) Co., Ltd.	1 January 2009 to 31 December 2009	10.0%
	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 January 2011	24.0%
Qingdao GP Electronic Plastics Co., Ltd.	1 August 2009 to 31 December 2009	0%
	1 January 2010 to 31 December 2010	11.0%
	1 January 2011 to 31 January 2011	12.5%

6 INCOME TAX CREDIT (CONTINUED)

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

Pursuant to the CIT 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 January 2011, 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. At 31 January 2011, deferred tax liabilities of $1,862,000 (31 July 2010: $1,762,000) have been recognised in respect of the temporary differences of $38,395,000 (31 July 2010: $35,234,000) which are related to the undistributed profits generated on or after 1 January 2008 by the subsidiaries incorporated in the PRC (Note 6(c)).

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

(b) Income tax in the consolidated statement of financial position (unaudited) represents:

	At 31 January 2011 $'000	At 31 July 2010 $'000
PRC income tax payable	9,563	9,387

6 INCOME TAX CREDIT (CONTINUED)

(c) Deferred tax recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position (unaudited) and the movements during the period are as follows:

	Deferred tax on accumulated losses of PRC subsidiaries $'000	Withholding tax on future dividend income from PRC subsidiaries $'000	Total $'000
Deferred tax arising from:			
At 1 August 2009	6,499	(1,398)	5,101
Credited/(charged) to profit or loss	8,175	(364)	7,811
At 31 July 2010	14,674	(1,762)	12,912
At 1 August 2010	14,674	(1,762)	12,912
Credited/(charged) to profit or loss	4,969	(100)	4,869
At 31 January 2011	19,643	(1,862)	17,781

	At 31 January 2011 $'000	At 31 July 2010 $'000
Net deferred tax asset recognised on the statement of financial position	19,643	14,674
Net deferred tax liability recognised on the statement of financial position	(1,862)	(1,762)
	17,781	12,912

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic losses per share is based on the loss attributable to ordinary equity shareholders of the Company of $5,238,000 (2010: loss of $5,529,000) and the 866,976,000 shares in issue during the current and the prior period.

(b) Diluted loss per share

Share options granted by the Company (note 18) are anti-dilutive. As a result, there were no potential dilutive ordinary shares in existence during the six months ended 31 January 2011 and 2010.

8 FIXED ASSETS

	Buildings held for own use	Leasehold improvements	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:									
At 31 July 2010	338,592	17,531	1,058,523	50,643	23,902	4,143	1,493,334	29,206	1,522,540
Exchange adjustments	9,512	486	27,263	1,507	717	46	39,531	846	40,377
Additions	568	109	9,697	1,536	1,810	755	14,475	–	14,475
Transfer	–	–	271	–	–	(271)	–	–	–
Disposals	–	–	(20,290)	–	(1,172)	–	(21,462)	–	(21,462)
At 31 January 2011	348,672	18,126	1,075,464	53,686	25,257	4,673	1,525,878	30,052	1,555,930
Accumulated depreciation and amortisation:									
At 31 July 2010	52,172	6,911	551,172	33,950	18,947	–	663,152	4,413	667,565
Exchange adjustments	1,471	177	13,052	960	528	–	16,188	136	16,324
Charge for the period	4,053	629	44,720	2,106	848	–	52,356	295	52,651
Written back on disposals	–	–	(16,160)	–	(1,164)	–	(17,324)	–	(17,324)
At 31 January 2011	57,696	7,717	592,784	37,016	19,159	–	714,372	4,844	719,216
Net book value:									
At 31 January 2011	290,976	10,409	482,680	16,670	6,098	4,673	811,506	25,208	836,714
At 31 July 2010	286,420	10,620	507,351	16,693	4,955	4,143	830,182	24,793	854,975

8 FIXED ASSETS (CONTINUED)

At 31 January 2011 and 31 July 2010, certain fixed assets had been pledged as security for bank loans (note 16(b)).

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

The net book value of plant and machinery of the Group held under finance leases was $20,395,000 at 31 January 2011 (31 July 2010: $20,941,000).

9 GOODWILL

Cost and carrying amount:

	$'000
At 31 January 2011 and 31 July 2010	2,172

The directors make an assessment on the recoverable amount of goodwill and considered that there was no impairment at 31 January 2011 (31 July 2010: $ Nil).

10 INTERESTS IN ASSOCIATES

	At 31 January 2011 $'000	At 31 July 2010 $'000
Share of net assets	16,554	18,483
Goodwill	8,521	8,521
	25,075	27,004

10 INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of associate	Form of business structure	Place of incorporation	Place of operation	Particulars of capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiaries	Principal activity
VS Industry Vietnam Joint Stock Company	Limited liability company	Vietnam	Vietnam	Legal capital of US$10,863,000	23.47%	23.47%	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 of $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.

11 INVENTORIES

(a) Inventories in the consolidated statement of financial position (unaudited) comprise:

	At 31 January 2011 $'000	At 31 July 2010 $'000
Raw materials	102,101	107,081
Work-in-progress	91,169	54,434
Finished goods	39,255	65,636
	232,525	227,151

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

	Six months ended 31 January 2011 $'000	Six months ended 31 January 2010 $'000
Carrying amount of inventories sold	780,958	703,944
(Reversal of)/write down of inventories	(148)	533
	780,810	704,477

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

12 TRADE AND OTHER RECEIVABLES

	At 31 January 2011 $'000	At 31 July 2010 $'000
Trade receivables	299,773	346,488
Bills receivable (note (i))	56,790	50,096
Less: allowance for doubtful debts (note 12(b))	(5,125)	(2,010)
	351,438	394,574
Other receivables, prepayments and deposits	76,776	57,506
Derivative financial instruments (note 4(iii))	138	–
	428,352	452,080

Note:

(i) As at 31 January 2011, certain bills receivables amounting to $13,094,000 (31 July 2010: $12,770,000) have been pledged to banks as security in connection with certain banking facilities (note 16(b)).

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

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 31 January 2011 $'000	At 31 July 2010 $'000
Current	303,164	318,713
Less than one month past due	27,198	45,923
One to three months past due	10,999	17,983
More than three months but less than twelve months past due	7,548	11,955
More than twelve months past due	2,529	–
Amounts past due	48,274	75,861
	351,438	394,574

Credit terms granted by the Group to customers generally range from 30 to 120 days. Debtors with balance that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted.

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors and bills receivable

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

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

	At 31 January 2011 $'000	At 31 July 2010 $'000
At 1 August	2,010	2,563
Impairment loss recognised/(reversed)	3,115	(553)
At 31 January/31 July	5,125	2,010

At 31 January 2011, the Group's trade debtors of $5,125,000 (31 July 2010: $2,010,000) 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 of $5,125,000 have been recognised as at 31 January 2011 (31 July 2010: $2,010,000) after considering subsequent settlement and other relevant factors. The Group does not hold any collateral over these balances.

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	At 31 January 2011 $'000	At 31 July 2010 $'000
Neither past due nor impaired	303,164	318,713
Less than one month past due	27,198	45,923
One to three months past due	10,999	17,983
More than three months but less than twelve months past due	7,548	11,955
More than twelve months past due	2,529	–
	48,274	75,861
	351,438	394,574

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.

13 DEPOSITS WITH BANKS

	At 31 January 2011 $'000	At 31 July 2010 $'000
Deposits with banks with original maturity date over three months	118	115
Pledged fixed deposits with banks	92,056	74,416
	92,174	74,531

Pledged fixed deposits with banks have been pledged to banks as security for certain banking facilities, including trade finance, bank loans and overdrafts (note 16(b)).

14 CASH AND CASH EQUIVALENTS

	At 31 January 2011 $'000	At 31 July 2010 $'000
Cash at bank and in hand	87,493	96,940
Cash and cash equivalents in the statement of financial position	87,493	96,940
Bank overdrafts (note 16(a))	(24,661)	(26,685)
Cash and cash equivalents in the consolidated cash flow statement	62,832	70,255

15 TRADE AND OTHER PAYABLES

	At 31 January 2011 $'000	At 31 July 2010 $'000
Trade payables	254,314	286,011
Bills payable	38,306	36,650
Payables for the purchase of fixed assets (note 15(b))	40,240	61,528
Accrued expenses and other payables	108,222	104,555
	441,082	488,744

Except for the other payables mentioned in note 15(b), the trade and other payables are expected to be settled or recognised as income within one year.

(a) **Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as at the end of the reporting period:**

	At 31 January 2011 $'000	At 31 July 2010 $'000
Due within 1 month or on demand	219,636	248,843
Due after 1 month but within 3 months	70,158	64,791
Due after 3 months but within 6 months	2,826	9,027
	292,620	322,661

15 TRADE AND OTHER PAYABLES (CONTINUED)

(b) Payables for the purchase of fixed assets

The Group acquired certain fixed assets from suppliers, of which various payment terms were offered. An analysis of current and non-current portion of the amounts due to fixed assets suppliers is as follows:

	At 31 January 2011 $'000	At 31 July 2010 $'000
Current:		
Within 1 year or on demand (note (i))	40,240	61,528
Non-current:		
After 1 year but within 2 years (note (i) & (ii))	38,619	29,794
	78,859	91,322

Notes:

(i) Amounts due to suppliers of $46,736,000 (31 July 2010: $25,860,000) are repayable under instalment terms ranging from 18 months to 30 months. The current portion is included in payables for the purchase of fixed assets. Amounts due to suppliers under instalment terms are unsecured and bear interest at 4.0% – 9.7% (2010: 7.5% – 9.7%) per annum.

(ii) An amount due to a supplier of $20,228,000 (31 July 2010: 19,101,000) is repayable on 31 July 2012. The amount is interest free and unsecured.

16 INTEREST-BEARING BORROWINGS

	At 31 January 2011 $'000	At 31 July 2010 $'000
Current:		
Within 1 year or on demand	456,016	411,433
Non-current:		
After 1 year but within 2 years	87,957	72,000
After 2 years but within 5 years	196,841	250,621
	284,798	322,621
	740,814	734,054

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

	At 31 January 2011 $'000	At 31 July 2010 $'000
Current:		
Overdrafts		
– secured	24,661	26,685
Bank loans		
– secured	276,359	218,664
– unsecured	154,996	166,084
	431,355	384,748
	456,016	411,433
Non-current:		
Bank loans		
– secured	284,798	322,621
	740,814	734,054

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

16 INTEREST-BEARING BORROWINGS (CONTINUED)

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

	At 31 January 2011 $'000	At 31 July 2010 $'000
Bills receivable (note 12)	13,094	12,770
Fixed deposits (note 13)	92,056	74,416
Interests in leasehold land held for own use under operating leases with aggregate carrying value (note 8)	25,208	24,793
Plant and machinery with aggregate carrying value (note 8)	42,445	45,221
Buildings held for own use with aggregate carrying value (note 8)	287,293	283,065
	460,096	440,265

The above-mentioned secured banking facilities, including trade finance, overdrafts and bank loans, totalling $715,371,000 (31 July 2010: $719,286,000), were utilised to the extent of $624,124,000 (31 July 2010: $604,620,000) at 31 January 2011. The Group's banking facilities also included certain unsecured banking facilities, totalling $321,158,000 (31 July 2010: $167,354,000), which were utilised to the extent of $154,996,000 (31 July 2010: $166,084,000) at 31 January 2011.

(c) Two (31 July 2010: two) of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 January 2011 and 31 July 2010, none of the covenants relating to drawn down facilities had been breached.

17 OBLIGATIONS UNDER FINANCE LEASES

At 31 January 2011, the Group had obligations under finance leases repayable as follows:

	At 31 January 2011			At 31 July 2010		
	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	10,344	718	11,062	10,051	1,190	11,241
After one year but within two years	1,724	21	1,745	6,700	247	6,947
	1,724	21	1,745	6,700	247	6,947
	12,068	739	12,807	16,751	1,437	18,188

18 SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved by the shareholders on 20 January 2002 whereby 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.

Pursuant to the resolution duly passed at the annual general meeting ("AGM") held on 21 December 2010, the general scheme limit ("General Scheme Limit") of the share option scheme ("Share Option Scheme") of the Company was refreshed. The total number of ordinary shares which could be allotted and issued upon exercise of all options granted or to be granted under the Share Option Scheme must not in aggregate exceed 20 percent of the shares in issue as at the date of the AGM. As at the date of the AGM, there were 866,976,000 shares of the Company in issue. Accordingly, the refreshed General Scheme Limit was 173,395,200 shares of the Company.

Pursuant to a resolution passed by Directors in a meeting of the Board on 3 February 2010, the Board approved the grant of 86,680,000 share options ("Options") under the rules of the Share Option Scheme.

The main purpose of the Share Option Scheme is to enable the Group to grant Options to the eligible participants as incentives or rewards for their contribution to past and future performances of the Group. In appreciation of their efforts and support and/or as incentives for their continual support for the Group, it was recommended that Options be granted to the grantees under the Share Option Scheme, to subscribe for ordinary shares at an exercise price of $0.18 ("Exercise Price") per share. The share options have a term of three years commencing from 1 August 2010 and shall vest (if applicable) and become exercisable in three tranches in the proportion of approximately 30%, 30% and 40% on 1 August 2010, 1 August 2011 and 1 August 2012 respectively.

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 24 February 2010, 66 eligible participants accepted the offer of Options granted by the Company. No further Options have been granted since that date.

The Options' fair value of $6,736,000 was measured at grant date using the binomial option pricing model. The total estimated fair value of the Options is spread over the vesting period, taking into account the probability that the Options will vest. For the period ended 31 January 2011, $1,297,000 (31 January 2010: Nil) is recognised as an employee cost with a corresponding increase in a capital reserve within equity.

18 SHARE OPTION SCHEME (CONTINUED)

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

Date granted	Vesting period	Exercise period	Options granted Directors	Options granted Employees	Total
			'000	'000	'000
3 February 2010	3 February 2010 to 31 July 2010	1 August 2010 to 31 July 2013	14,700	11,340	26,040
	3 February 2010 to 31 July 2011	1 August 2011 to 31 July 2013	14,700	11,340	26,040
	3 February 2010 to 31 July 2012	1 August 2012 to 31 July 2013	19,600	15,000	34,600
			49,000	37,680	86,680

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.

18 SHARE OPTION SCHEME (CONTINUED)

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

	At 31 January 2011		At 31 July 2010	
	Weighted average exercise price	Number of Options '000	Weighted average exercise price	Number of Options '000
Outstanding at the beginning of the period/year	$0.180	86,680	–	–
Granted during the period/year	–	–	$0.180	86,680
Outstanding at the end of the period/year	$0.180	86,680	$0.180	86,680
Exercisable at the end of the period/year	$0.180	86,680	$0.180	86,680

The Options outstanding at 31 January 2011 had an exercise price of $0.180 (31 July 2010: $0.180) and a weighted average remaining contracted life of 2.5 year.

18 SHARE OPTION SCHEME (CONTINUED)

(c) Fair value of options and assumptions

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

Fair value of Options and assumptions

Fair value at measurement date (weighted average)	$6,736,000
Share price	$0.176
Exercise price	$0.180
Expected volatility (expressed as weighted average volatility used in the modelling under the binomial model)	85.48%
Option life (expressed as weighted average life used in the modelling under the binomial model)	3.5 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.2195%

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

Options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the Option grants.

19 SHARE CAPITAL

	At 31 January 2011		At 31 July 2010	
	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 the beginning of the period/year and at the end of the period/year	866,976	43,349	866,976	43,349

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

Terms of unexpired and unexercised share options at the end of the reporting period.

	At 31 January 2011		At 31 July 2010	
Exercise period	Exercise price	Number of options '000	Exercise price	Number of options '000
1 August 2010 to 31 July 2013	0.18	26,040	0.18	26,040
1 August 2011 to 31 July 2013	0.18	26,040	0.18	26,040
1 August 2012 to 31 July 2013	0.18	34,600	0.18	34,600
		86,680		86,680

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

20 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 January 2011 and 2010.

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

No dividends has been approved or paid by the Company after the end of the reporting period attributable to the previous financial year.

21 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2011 not provided for in the interim financial report are as follows:

	At 31 January 2011 $'000	At 31 July 2010 $'000
Contracted for	3,920	–

21 COMMITMENTS (CONTINUED)

(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 amounting to $5,071,000 (2010: $4,839,000) were recognised as expenses in the unaudited consolidated income statement. None of the leases includes contingent rentals.

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

	At 31 January 2011 $'000	At 31 July 2010 $'000
Within one year	540	524

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

22 MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 31 January 2011 $'000	2010 $'000
Sales to a substantial shareholder	12	9
Sales to minority shareholders of VSA Holding Hong Kong Co., Limited ("VSA(HK)")	–	8,322
	12	8,331
Interest paid and payable to a substantial shareholder (note 22(c))	186	310
Operating lease charges paid to a company controlled by a director	4,596	4,483
Purchase of raw materials from an associate	4,310	1,551
Purchase moulds fabricated and certain moulded productions and parts from a company controlled by the family member of a director	254	2,324
Management fee paid and payable to a company controlled by a director	332	324
Sub-contracting fee paid and payable to a company controlled by the family member of a director	1,879	2,927
Repair and maintenance services paid and payable to a company controlled by the family member of a director	471	1,255

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.

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 January 2011 $'000	At 31 July 2010 $'000
Amount due from a company controlled by a director	6,568	6,739
Amount due from an associate	135	53
Amount due from a substantial shareholder	892	876
	7,595	7,668

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

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

	At January 2011		At July 2010	
	Trade and other payables $'000	Loan from a substantial shareholder * $'000	Trade and other payables $'000	Loan from a substantial shareholder * $'000
Amounts due to directors	230	–	300	–
Amount due to a company controlled by a director	93	–	1,643	–
Amount due to a company controlled by the family member of a director	1,413	–	1,951	–
Amount due to an associate	3,902	–	2,524	–
Amount due to a substantial shareholder				
– current portion	1,342	7,340	1,750	6,539
– non-current portion	–	2,447	–	4,877
	6,980	9,787	8,168	11,416

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

* 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 (2010: 5%) on the outstanding balance. Interest paid and payable to the substantial shareholder, amounted to $186,000 (2010: $310,000) for the six months ended 31 January 2011.

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 repayments.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 31 JANUARY 2011

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the six months ended 31 January 2011 and which have not been adopted in this interim financial report.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 31 JANUARY 2011 (CONTINUED)

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 January 2011
Revised HKAS 24, *Related party disclosures*	1 January 2011
Amendment to HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards-Severe hyperinflation and removal of fixed dates for first-time adopters*	1 July 2011
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes-Deferred tax: Recovery of underlying assets*	1 January 2012
HKFRS 9, *Financial instruments (2009)*	1 January 2013
HKFRS 9, *Financial instruments (2010)*	1 January 2013

24 NON-ADJUSTING POST BALANCE SHEET EVENT

(i) Rights issue

On 22 December 2010, the directors of the Company announced that the Company intended to raise not less than $34.67 million, before expenses, by issuing 288,922,000 shares to be allotted and issued pursuant to the rights issue ("Rights Share(s)"), at the subscription price of $0.12 per Rights Share on the basis of one Rights Share for every three existing ordinary shares held on 10 January 2011. The rights issue became unconditional on 8 March 2011.

The expected net proceeds from the rights issue are intended to be applied as to (i) approximately $6 million for the purchase of ERP system and computer hardwares and system implementation; and (ii) the remaining balance as general working capital of the Group.

(ii) Sales of a property located in Hong Kong

On 7 March 2011, the Company entered into a provisional agreement with an independent third party, for the sales of a property located in Hong Kong to that independent third party at the consideration of $22 million. The net book value of the Hong Kong property as at 31 January 2011 amounted to $5,943,000.

The Company intends to apply the net proceeds of the sales of the Hong Kong property in the amount of approximately $21,700,000 (after deducting the estimated legal costs, estate agent commission and related expenses) as follows:

(1) as to approximately $6,000,000 (subject to final confirmation by the mortgagee bank) for obtaining a discharge of the existing mortgage of the property from the mortgagee bank;

(2) as to approximately $8,000,000 for the repayment of long term borrowing; and

(3) as to the balance of $7,700,000 as general working of the Group.

Management Discussion and Analysis of Results of Operations

OVERVIEW

Despite improvement in the Group's turnover for the period under review, rising raw material prices and employment cost have affected the performance of the Group for the six months ended 31 January 2011.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK$867.91 million, representing an increase of HK$83.45 million or 10.64% as compared to HK$784.46 million in the previous corresponding period. In tandem with the increase in turnover, gross profit increase from HK$79.98 million to HK$87.10 million, however gross profit margin reduced from 10.20% to 10.04% mainly due to higher raw material prices and rising labour cost for the six months ended 31 January 2011.

Plastic injection and moulding business

During the period under review, plastic injection and moulding segment remained the Group's core business and contributed to 57.65% of the Group's turnover. The turnover for this segment increased to HK$500.37 million as compared to HK$462.90 million in the previous corresponding period, representing an increase of HK$37.47 million or 8.09%.

Assembling of electronic products business

Since second half of year 2009, assembling of box-built electronics products has contributed significantly to the Group's turnover. For the six months ended 31 January 2011, turnover for assembling of electronics products business increased to HK$317.49 million as compared to HK$282.15 million in the previous corresponding period, representing an increase of HK$35.34 million or 12.53%.

Mould design and fabrication business

Mould design and fabrication is a key business segment for the Group to solicit new customers and new products from existing customers. During the period under review, mould design and fabrication segment recorded a turnover of HK$50.05 million, an increase of HK$10.65 million or 27.03% as compared to HK$39.40 million in the previous corresponding period.

Distribution costs and administrative expenses

During the period under review, distribution cost and administrative expenses amounted to HK$83.84 million, representing an increase of HK$17.12 million or 25.66% as compared to HK$66.72 million in the previous corresponding period. The increase was primarily due to higher packaging and transportation cost incurred on certain products delivered to one of the major customers in overseas and the rising staff salaries during the period.

Other net income/loss

During the period under review, the Group recorded other net gain of HK$9.44 million (2010: net loss of HK$5.49 million), which comprised mainly net gain on foreign exchange of HK$6.10 million, reversal of impairment losses on acquisition deposits of HK$4.75 million which was offset by net loss of disposal of fixed assets of HK$2.06 million.

Finance costs

The finance costs increased to HK$19.74 million as compared to HK$15.82 million in the previous corresponding period mainly due to higher interest rate on bank borrowing for the period under review.

Share of profits less losses of associates

The Group's share of profit less losses of associates of HK$1.81 million (2010: HK$1.94 million) was mainly contributed by its associate in Vietnam.

Future Prospects

Recent earthquake followed by nuclear crisis in Japan may disrupt supply chain of certain micro chips to be imported from Japan for the Group's customers. Some of our existing customers' sales may be affected by the disruption in the supply chain. However, the extent and impact of the disruption in supply chain is yet to be known. Further to that, the Group expect pricing pressures and rising labour costs will continue to put a squeeze on the profit margin for the second half of the financial period.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations and investing activities mainly by internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 January 2011, the Group had cash and bank deposits of HK$179.67 million (31 July 2010: HK$171.47 million), of which HK$92.06 million (31 July 2010: HK$74.42 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") 39.71%, Renminbi ("RMB") 59.44%, and Hong Kong dollars ("HKD") 0.85%.

As at 31 January 2011, the Group had outstanding interest-bearing borrowings of HK$762.67 million (31 July 2010: HK$762.22 million), mainly consisting of bank borrowings of HK$740.81 million (31 July 2010: HK$734.05 million), obligations under finance lease of HK$12.07 million (31 July 2010: HK$16.75 million) and a loan from a substantial shareholder of HK$9.79 million (31 July 2010: HK$11.42 million). The total borrowings were denominated in RMB 20.47%, USD 39.12%, and HKD 40.41%, and the maturity profile is as follows:

	As at 31 January 2011		As at 31 July 2010	
Repayable	HK$ million	%	HK$ million	%
Within one year	473.70	62.11	428.02	56.15
After one year but within two years	92.13	12.08	83.58	10.97
After two years but within five years	196.84	25.81	250.62	32.88
Total borrowings	762.67	100.00	762.22	100.00
Cash and bank deposits	(179.67)		(171.47)	
Net borrowings	583.00		590.75	

As at 31 January 2011, the Group's net current liabilities were HK$83.80 million (31 July 2010: HK$75.45 million). As at 31 January 2011, the Group has undrawn bank facilities of HK$257.41 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

CHARGES ON ASSETS

As at 31 January 2011, certain assets of the Group with aggregate carrying value of HK$460.10 million (31 July 2010: HK$440.27 million) were pledged to secure loan and trade financing facilities for the Group.

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 relates. The currencies giving rise to the risk were primarily HKD, USD, Japanese Yen ("JPY") and RMB. During the period under review, the Group recorded a net foreign exchange gain of HK$6.10 million (2010: net loss of HK$2.92 million) as a results of realisation of foreign exchange contracts and appreciation of RMB against HKD.

As at 26 March 2011, the notional amount of the outstanding forward exchange contracts which were entered to mitigate foreign exchange risk in view of continuing appreciation of RMB against USD was USD30.00 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2011, the Group had a total of 6,815 employees (31 July 2010: 8,211). During the period 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) for the period under review amounted to HK$153.00 million (2010: HK$122.35 million). 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 well being, so as to attract and retain quality and dedicated employees 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 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.

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2011 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto has been made.

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

As at 31 January 2011, 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 securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	60,867,700 Shares (L) (Notes 3, 4 and 11)	7.02%
	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)	Nominal
Gan Sem Yam	The Company	Beneficial owner	41,850,003 Shares (L) (Notes 3, 5 and 11)	4.83%
	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)	Nominal

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	63,741,590 Shares (L) (Notes 3, 6 and 11)	7.35%
	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)	Nominal
Zhang Pei Yu	The Company	Beneficial owner	8,602,000 Shares (L) (Notes 3 and 11)	0.99%
Yeoh Ek Boon	The Company	Beneficial owner	43,152,000 Shares (L) (Notes 3, 7 and 11)	4.98%
Gan Tiong Sia	The Company	Beneficial owner	38,067,700 Shares (L) (Notes 8, 9 and 11)	4.39%
	VSHK	Beneficial owner	3,750,000 non voting deferred shares of HK$1 each (L)	5.00%

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Diong Tai Pew	The Company	Beneficial owner	1,100,000 Shares (L) (Notes 10 and 11)	0.13%
Cheung Kwan Hung, Anthony (resigned as a Director with effect from 28 January 2011)	The Company	Beneficial owner	820,000 Shares (L) (Notes 10 and 11)	0.09%
Tang Sim Cheow	The Company	Beneficial owner	600,000 Shares (L) (Notes 10 and 11)	0.07%

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 and underlying shares of the Company or its associated corporations.

3. 8,600,000 of these Shares would be allotted and issued upon exercise in full of the share option granted to each of the executive Directors, namely Mr. Beh Kim Ling, Mr. Gan Sem Yam, Madam Gan Chu Cheng, Mr. Zhang Pei Yu and Mr. Yeoh Ek Boon respectively by the Company under its share option scheme, details of which are set out in note 11 below.

4. Other than the 8,600,000 underlying Shares referred to in note 3 above, these Shares include (i) 39,200,775 Shares held by Mr. Beh Kim Ling; and (ii) 13,066,925 rights shares which Mr. Beh Kim Ling had undertaken to subscribe pursuant to a committed shareholder's undertaking under the rights issue of the Company (the "Rights Issue").

5. Other than the 8,600,000 underlying Shares referred to in note 3 above, these Shares include (i) 17,437,500 Shares held by Mr. Gan Sem Yam; and (ii) 15,812,503 rights shares which Mr. Gan Sem Yam had undertaken to subscribe pursuant to an underwriting agreement under the Rights Issue.

6. Other than the 8,600,000 underlying Shares referred to in note 3 above, these Shares include (i) 31,000,775 Shares held by Madam Gan Chu Cheng; (ii) 10,333,591 rights shares and 13,807,224 rights shares under excess application which Madam Gan Chu Cheng had undertaken to subscribe pursuant to a committed shareholder's undertaking under the Rights Issue.

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

Notes: (continued)

7. Other than the 8,600,000 underlying Shares referred to in note 3 above, these Shares include (i) 4,552,000 Shares held by Mr. Yeoh EK Boon; (ii) 1,517,333 rights shares and 28,482,667 rights shares under excess application which Mr. Yeoh EK Boon had undertaken to subscribe pursuant to a committed shareholder's undertaking under the Rights Issue.

8. Other than the 4,200,000 underlying Shares referred to in note 9 below, these Shares include (i) 25,400,775 Shares held by Mr. Gan Tiong Sia; (ii) 8,466,925 rights shares which Mr. Gan Tiong Sia had undertaken to subscribe pursuant to a committed shareholder's undertaking under the Rights Issue.

9. 4,200,000 of these Shares would be allotted and issued upon exercise in full of the share option granted to the non-executive Director, Mr. Gan Tiong Sia by the Company under its share option scheme, details of which are set out in note 11 below.

10. 600,000 of these Shares would be allotted and issued upon exercise in full of the share option granted to each of the Independent non-executive Directors, namely Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow respectively by the Company under its share option scheme, details of which are set out in note 11 below.

11. On 3 February 2010, share options were granted by the Company under the Share Option Scheme (as defined below) to, among other eligible participants, the Directors. Details of these share options granted are disclosed in the paragraph headed "Share Option Scheme" on page 65.

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

Save as disclosed above, at no time during the the six months ended 31 January 2011 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 22 to the interim financial report, 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 period under review or at any time during the period under review.

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

As at 31 January 2011, 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
V.S. Industry Berhad	557,308,400 (L) (Note 2)	Beneficial owner	64.28%
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.

2. These Shares include (i) 371,996,900 Shares held by V.S. Industry Berhad; (ii) 123,998,966 rights shares and 61,312,534 rights shares under excess application which V.S. Industry Berhad has undertaken to subscribe pursuant to an undertaking dated 22 December 2010.

SHARE OPTION SCHEME

The following table discloses details of share options held by the grantees and movements in such holdings during the six months ended 31 January 2011:

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 2010	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2011
Directors									
Beh Kim Ling	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2011 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2012 to 31 July 2013	0.180	N/A	3,440,000	–	–	–	3,440,000
Gan Sem Yam	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2011 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2012 to 31 July 2013	0.180	N/A	3,440,000	–	–	–	3,440,000
Gan Chu Cheng	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2011 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2012 to 31 July 2013	0.180	N/A	3,440,000	–	–	–	3,440,000
Zhang Pei Yu	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2011 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2012 to 31 July 2013	0.180	N/A	3,440,000	–	–	–	3,440,000

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 2010	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2011
Yeoh Ek Boon	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2011 to 31 July 2013	0.180	N/A	2,580,000	–	–	–	2,580,000
		1 August 2012 to 31 July 2013	0.180	N/A	3,440,000	–	–	–	3,440,000
Gan Tiong Sia	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	1,260,000	–	–	–	1,260,000
		1 August 2011 to 31 July 2013	0.180	N/A	1,260,000	–	–	–	1,260,000
		1 August 2012 to 31 July 2013	0.180	N/A	1,680,000	–	–	–	1,680,000
Diong Tai Pew	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	180,000	–	–	–	180,000
		1 August 2011 to 31 July 2013	0.180	N/A	180,000	–	–	–	180,000
		1 August 2012 to 31 July 2013	0.180	N/A	240,000	–	–	–	240,000
Cheung Kwan Hung, Anthony (resigned as a Director with effect from 28 January 2011)	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	180,000	–	–	–	180,000
		1 August 2011 to 31 July 2013	0.180	N/A	180,000	–	–	–	180,000
		1 August 2012 to 31 July 2013	0.180	N/A	240,000	–	–	–	240,000

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 2010	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2011
Tang Sim Cheow	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	180,000	–	–	–	180,000
		1 August 2011 to 31 July 2013	0.180	N/A	180,000	–	–	–	180,000
		1 August 2012 to 31 July 2013	0.180	N/A	240,000	–	–	–	240,000
					49,000,000	–	–	–	49,000,000
Other employees (Note 2)	3 February 2010	1 August 2010 to 31 July 2013	0.180	N/A	11,304,000	–	–	–	11,304,000
		1 August 2011 to 31 July 2013	0.180	N/A	11,304,000	–	–	–	11,304,000
		1 August 2012 to 31 July 2013	0.180	N/A	15,072,000	–	–	–	15,072,000
					37,680,000	–	–	–	37,680,000
					86,680,000	–	–	–	86,680,000

Notes:

1. The average of closing price of the Shares as stated on the Stock Exchange's daily quotation sheets for the five trading days immediately before 3 February 2010, being the date of the grant of share options (the "Grant Date") during the year, was HK$0.180. The closing price of the shares immediately before the Grant Date is HK$0.176.

2. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap.57, Laws of Hong Kong).

3. There were no share options being cancelled during the six-month period ended 31 January 2011.

Other Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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.

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period under review with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2011.

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

Macau, the PRC
26 March 2011

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 6 to 54, which comprises the consolidated statement of financial position of V.S. International Group Limited and its subsidiaries as of 31 January 2011 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *"Interim financial reporting"*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 January 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *"Interim financial reporting"*.

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which describes that as at 31 January 2011, the Group's current liabilities exceeded its current assets by HK$83,801,000 and the Group incurred a loss of HK$5,186,000 for the period ended 31 January 2011. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the Group's ability to renew its current bank loans upon expiry or secure adequate banking facilities to enable the Group to continue to operate as a going concern and to meet its financial obligations as and when they fall due for the foreseeable future. The interim financial report does not include any adjustments that would result from the failure to renew or obtain such banking facilities.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 March 2011