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

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

Annual Report 2012/13

Contents

Corporate Profile

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

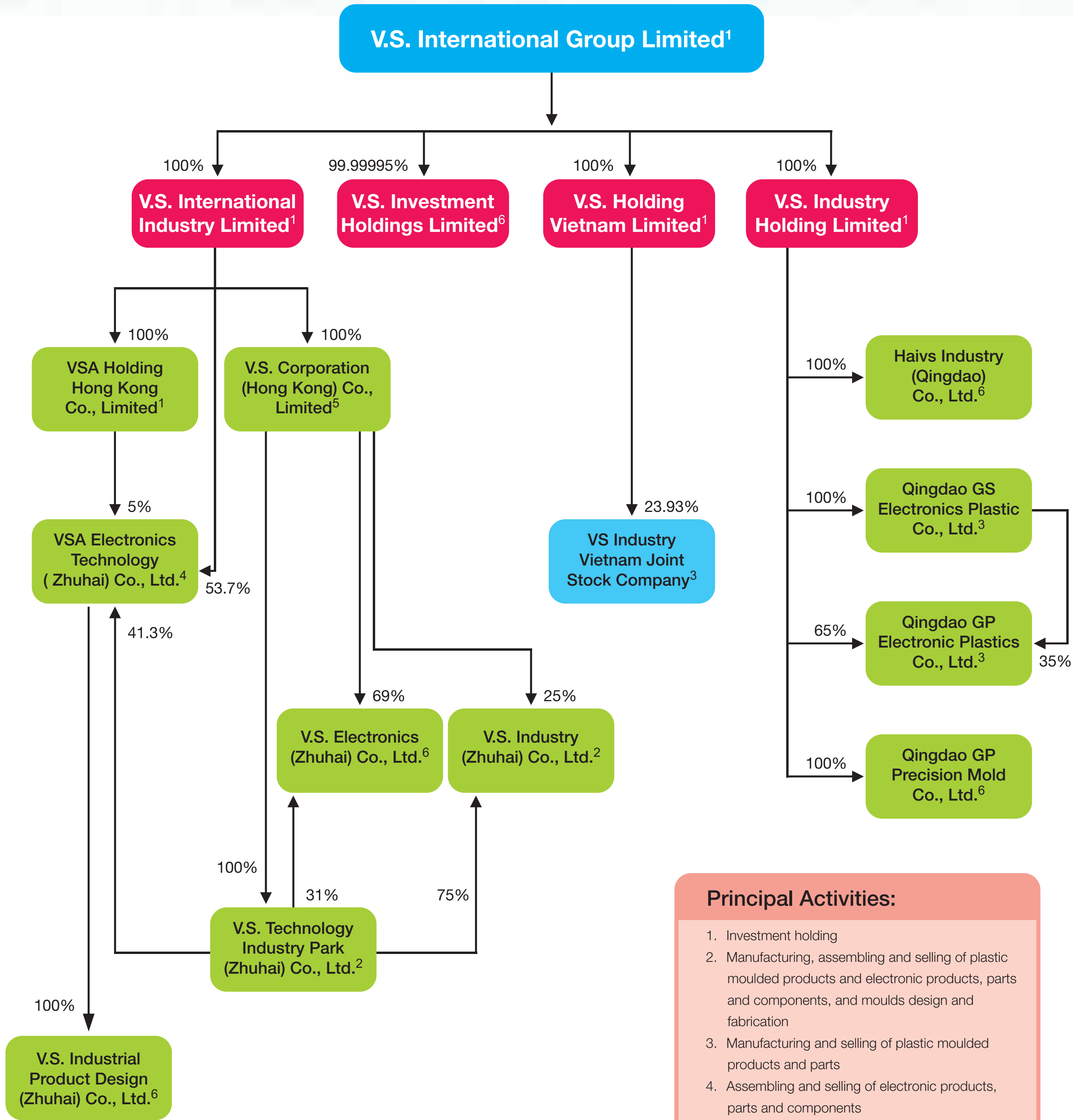
The Group commenced its business in 1997 in Shenzhen, the People's Republic of China ("PRC") and was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in February 2002. On 10 July 2013, the Company became a subsidiary of V.S. Industry Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

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

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

Corporate Structure

As of 24 September 2013



Principal Activities:

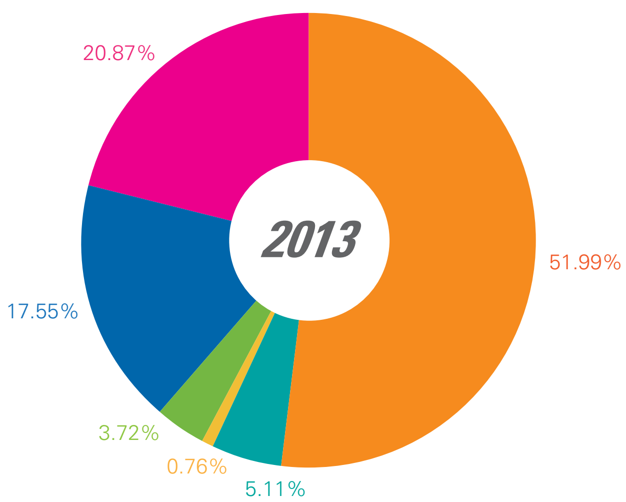
1. Investment holding
2. Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components, and moulds design and fabrication
3. Manufacturing and selling of plastic moulded products and parts
4. Assembling and selling of electronic products, parts and components
5. Trading of electronic products, parts and components
6. Dormant

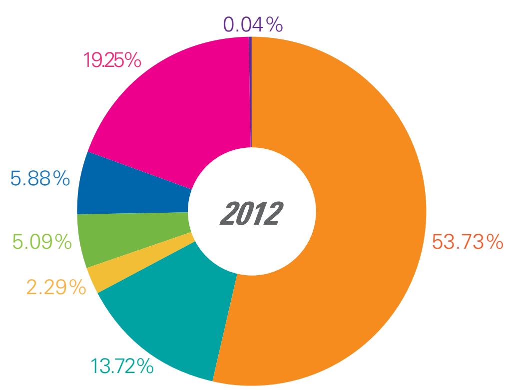
Financial Highlights

Key Financial Data	**2013**	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total equity	**416,896**	401,067	471,206	457,619	464,321
Total assets	**1,206,679**	1,365,444	1,728,365	1,749,527	1,516,031
Net borrowings	**336,200**	443,239	540,491	590,750	530,158
Capital expenditure	**12,082**	31,146	26,996	72,230	157,137
Gearing ratio (net) (%)	**27.86%**	32.46%	31.27%	33.77%	34.97%
Finance costs over turnover (%)	**1.89%**	2.37%	2.44%	2.28%	3.95%
Inventory turnover days	**41**	38	60	62	48
Trade and bills receivable turnover days	**77**	74	83	96	75
Trade and bills payable turnover days	**76**	64	79	89	68

Sales Breakdown by Geographical Locations

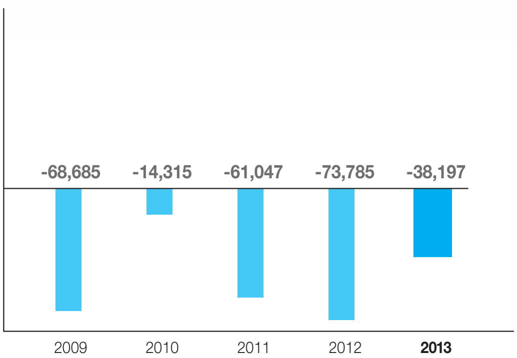
- Mainland China
- Hong Kong
- South East Asia
- Northern Asia
- Europe
- United States of America
- South Africa



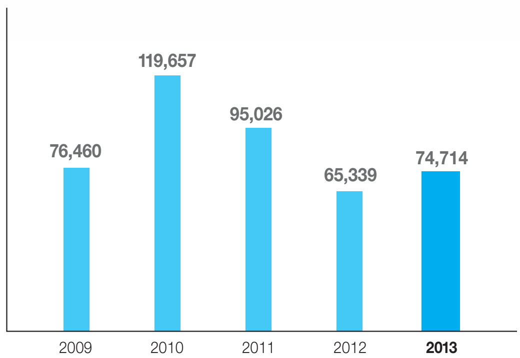


Financial Highlights

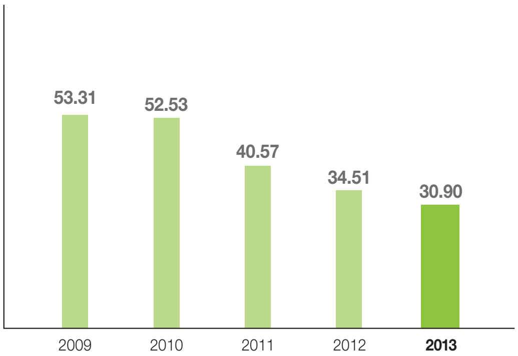
Loss Attributable to Equity Holders (HK$'000)



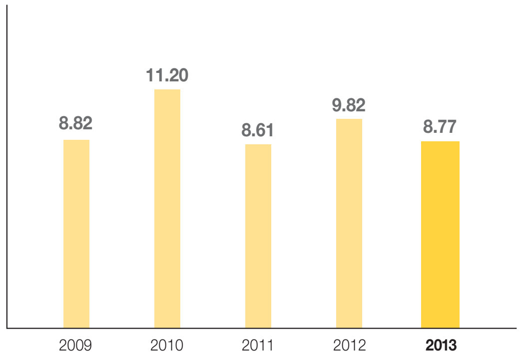
EBITDA (HK$'000)
(Earnings before interest, tax, depreciation and amortisation)



Net Tangible Assets Per Share (HK cents)

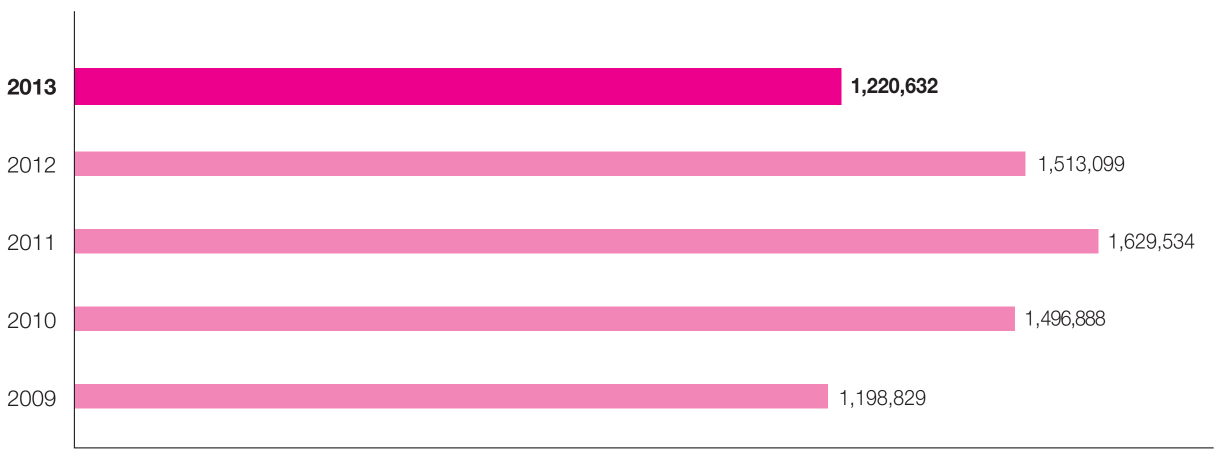


Gross Profit Margin (%)



Sales Breakdown by Business Segments

(HK$'000)



(HK$'000)	**2013**	2012	2011	2010	2009
Plastic injection and moulding	**729,805**	924,118	952,473	876,036	801,290
Assembling of electronic products	**430,904**	488,934	578,528	531,373	254,947
Mould design and fabrication	**59,923**	100,047	98,533	89,479	142,592

Chairman's Statement

Dear Shareholders

On behalf of the board ("Board") of directors ("Directors"), I hereby present the Company's annual report ("Annual Report") together with the consolidated financial statements of the Group for the financial year ended 31 July 2013.

BUSINESS REVIEW

Financial year 2013 was a challenging year. We operated in a very difficult macro environment due to the international economic downturns caused by the Euro–zone debt crisis and uncertainty caused by impending tapering of the third round of quantitative easing by the United States Federal Reserve and foreign exchange volatility which had a knock-on effect on the external demands for plastic goods and rising inflation in China.

While we continued to address these pressing challenges, we also proactively focused on improving the Group's working capital and liquidity position. During the year the Group generated HK$125.56 million cash flow from operations and raised net proceeds of HK$29.97 million from the issuance of new shares. The net cash inflow has enabled the Group to further reduce its bank borrowings by HK$133.26 million from HK$573.31 million as at 31 July 2012 to HK$440.05 million as at 31 July 2013.

FINANCIAL HIGHLIGHTS

The Group's turnover for the financial year under review was HK$1,220.63 million as compared to HK$1,513.10 million in the previous financial year, representing a decrease of 19.33%. The Group's gross profit margin decreased from 9.82% to 8.77%, while the Group's gross profit decreased from HK$148.53 million to HK$107.05 million. However, the loss attributable to equity holders of the Company decreased to HK$38.20 million as compared HK$73.79 million in the previous year.

DIVIDENDS

The Board does not recommend any payment of dividend for the financial year ended 31 July 2013 (2012: nil) at the forthcoming annual general meeting of the Company.

CORPORATE DEVELOPMENT

On 27 November 2012, the Board announced that the Company entered into the subscription agreements with three individuals subscribers ("Subscribers") pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 115,000,000 new shares ("Subscription Shares") at the subscription price of HK$0.168 per Subscription Share ("Subscription"). The aggregate 115,000,000 Subscription Shares represent 9.69% of the then issued and share capital of the Company as at date of the announcement. The Subscription was completed on 18 December 2012. The net proceeds from the Subscription of approximately HK$19.20 million was applied to the general working capital of the Group.

Chairman's Statement

On 3 April 2013, V.S. Industry Berhad and the Company jointly announced that Kim Eng Securities (Hong Kong) Limited, on behalf of V.S. Industry Berhad, intended to make a voluntary unconditional partial cash offer to acquire (i) up to 224,890,025 shares of the Company ("Offer Shares") from the qualifying shareholders of the Company ("Partial Offer"); (ii) 250,731 outstanding share options ("Share Options") of the Company from the qualifying holders of Share Options ("Option Offer"); and (iii) up to 17,738,083 outstanding bonus warrants of the Company ("Bonus Warrants") from the qualifying holders of Bonus Warrants ("Warrant Offer") pursuant to Rule 13.1 of the Takeover Code.

On 28 June 2013, being the closing date of the Partial Offer, the Option Offer and the Warrant Offer, valid acceptances of the Partial Offer had been received in respect of 420,122,096 shares of the Company. In addition, valid acceptances of the Warrant Offer had been received in respect of 14,621,796 Bonus Warrants. No valid acceptances of the Option Offer had been received. Pursuant of the terms of the Partial Offer and Warrant Offer, V.S. Industry Berhad took up 224,890,025 Offer Shares and 14,621,796 Bonus Warrants. Upon completion, the shareholding of V.S. Industry Berhad in the Company increased from 497,716,400 shares, representing 38.06% of the issued share capital of the Company to 722,606,425 shares, representing 55.25% of the issued share capital in the Company. Hence the Company has become a direct subsidiary of V.S. Industry Berhad with effect from 10 July 2013.

FUTURE PROSPECTS AND CHALLENGES

The future of EMS remains uncertain and the Group will continue to operate under extremely challenging and competitive environment.

In this respect, the Group will continue to focus on improving its production efficiency and productivity. Besides, the Group will emphasise on increasing its profit margin by providing full range integrated services to its customers which includes products design services, mould design and fabrication services, processing of printed circuit boards, plastic injection manufacturing and assembly of complete products.

ACKNOWLEDGEMENT AND APPRECIATION

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

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

Management Discussion and Analysis of Results of Operations

INDUSTRY OVERVIEW

The global economic downturn and the decline in the demand of customers' end products especially those of most of our Far East Asia based customers has caused a sluggish business performance of the Group during the year under review.

FINANCIAL REVIEW

Turnover, Gross Profit and Segment Results

During the financial year under review, the Group recorded a turnover of HK$1,220.63 million, representing a decrease of HK$292.47 million or 19.33% from HK$1,513.10 million in the previous year, primarily due to the decline in the sales orders from certain major customers. Major contributor of the Group's turnover was still its plastic injection and moulding division which accounted for 59.79% (2012: 61.08%) of the Group's turnover, and the remaining was generated from assembling of electronics products and mould design and fabrication divisions which accounted for 35.30% (2012: 32.31%) and 4.91% (2012: 6.61%) of the Group's turnover respectively.

In line with the decrease in turnover, gross profit decreased by HK$41.48 million and recorded at HK$107.05 million for the financial year under review. Such decrease in gross profit was mainly attributable to the change in sales mix during the financial year under review.

Plastic Injection and Moulding

The decline in sales orders from certain major customers has directly impacted the business of plastic injection and moulding, which recorded a turnover of HK$729.81 million for the financial year under review, representing a decrease of HK$194.31 million or 21.03% from HK$924.12 million in the previous year.

The Group's operation in Zhuhai was still the main contributor and has contributed a turnover of HK$382.66 million for the financial year under review as compared to HK$553.33 million in the previous year. Meanwhile the Group's operation in Qingdao recorded a turnover of HK$347.15 million for the financial year under review, which was a slight decrease of 6.38% as compared to HK$370.79 million in the previous year.

Assembling of Electronic Products

During the financial year under review, the Group's assembling of electronics products business recorded a turnover of HK$430.90 million, representing a decrease of HK$58.03 million or 11.87% from HK$488.93 million in the previous year. However, the reportable segment results for such business segment improved from HK$7.73 million (representing 1.58% of the total reportable segment profit for the year ended 31 July 2012) to HK$20.95 million (representing 4.86% of the total reportable segment profit for the year ended 31 July 2013).

Mould Design and Fabrication

During the financial year under review, the mould design and fabrication segment was adversely affected by the economic downturn as customers reduced their product development activities. This segment recorded a turnover of HK$59.92 million as compared to HK$100.05 million in previous year, representing a decrease of HK$40.13 million or 40.11%.

Other Gains/(Losses) – Net

During the financial year under review, the Group incurred other net gains of HK$21.69 million (2012: other net losses of HK$26.40 million), which comprised mainly net gain on foreign exchange of HK$21.89 million.

Distribution Costs

Distribution costs for the financial year under review amounted to HK$52.10 million, representing a decrease of HK$16.29 million or 23.82% as compared to HK$68.39 million in the previous year. The decrease was in line with the decrease in the turnover of the Group for the year under review.

Administrative Expenses

Administrative expenses for the financial year under review amounted to HK$80.97 million, representing a decrease of HK$3.74 million or 4.42% from HK$84.71 million in the previous year. The decrease was primarily due to lower headcount and thus reduction in personnel expenses.

Finance Costs

The finance costs for the period under review were reduced by 35.71% to HK$23.08 million (2012: HK$35.90 million) mainly due to the lower level of bank borrowings during the year under review.

Share of Losses from Associates

The Group incurred losses of HK$3.52 million (2012: HK$0.59 million) in share of losses from associates mainly due to losses incurred by its associate in Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, the Group financed its operations and investing activities mainly by means of internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 July 2013, the Group had cash and bank deposits amounted to HK$103.85 million (2012: HK$130.07 million), of which HK$22.51 million (2012: HK$32.73 million) was pledged to banks for the facilities granted to the Group. The cash and bank deposits were denominated in United States dollars ("USD") as to 43.51%, Renminbi ("RMB") as to 55.47%, and Hong Kong dollars ("HKD") as to 0.78%.

Management Discussion and Analysis of Results of Operations

As at 31 July 2013, the Group had outstanding interest-bearing borrowings of HK$440.05 million (2012: HK$573.31 million). The total borrowings were denominated in RMB (as to 18.68%), USD (as to 75.87%), and HKD (as to 5.45%), and the maturity profile is as follows:

Repayable	**As at 31 July 2013**		**As at 31 July 2012**	
	HK$ million	**%**	*HK$ million*	*%*
Within one year	**213.88**	**48.60**	316.18	55.15
After one year but within two years	**31.02**	**7.05**	31.02	5.41
After two years but within five years	**195.15**	**44.35**	226.11	39.44
Total borrowings	**440.05**	**100.00**	573.31	100.00
Cash and bank deposits	**(103.85)**		(130.07)	
Net borrowings	**336.20**		443.24	

The total net interest bearing borrowings of the Group posted at HK$336.20 million (2012: HK$443.24 million) representing 27.86% (2012: 32.46%) of its total assets and 80.64% (2012: 110.51%) of its total equity respectively.

As at 31 July 2013, the Group's net current liabilities reduced by HK$33.51 million to HK$19.99 million (2012: HK$53.50 million). As at 31 July 2013, the Group had undrawn bank facilities of HK$285.00 million for working capital purposes. The Board is confident that the Group is able to generate sufficient operational cash flow to support its working capital requirements.

CAPITAL STRUCTURE

As at 31 July 2013, the Group's shareholders' funds stood at HK$416.90 million (2012: HK$401.07 million). Total assets of the Group amounted to HK$1,206.68 million (2012: HK$1,365.44 million), 52.88% (2012: 51.09%) of which were property, plant, equipment and land use rights.

COMMITMENTS AND CONTINGENT LIABILITY

The Group does not have material capital commitments and contingent liabilities as at 31 July 2013.

FOREIGN EXCHANGE EXPOSURE

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

During the financial year under review, the Group has made net exchange gains of HK$21.89 million (2012: net exchange losses of HK$1.84 million) mainly due to the realised gain on forward foreign exchange contracts of HK$14.42 million, unrealised foreign exchange gain of HK$1.64 million and unrealised gain on forward foreign exchange contracts of HK$5.83 million.

As HKD is pegged to the USD, the Group does not expect any significant currency risk of HKD position. Some of the Group's sales transactions are denominated in USD. In view of the appreciation of RMB against USD during the year ended 31 July 2013, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD.

As at 31 July 2013, the notional amounts of the outstanding forward foreign exchange contracts were USD36.80 million (2012: USD56.40 million). The management will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2013, the Group had a total of 3,755 employees (2012: 4,335). During the year under review, the Group did not make significant changes to the Group's remuneration policies for its employees.

Employees' cost to the Group (excluding the Directors' remuneration and equity settled share-based payment expenses) for the financial year under review amounted to HK$213.40 million (2012: HK$273.49 million). The decrease in employees' cost was mainly due to the reduction in the number of employees employed during the financial year under review. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to the prevailing conditions of the human resources 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 that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality staff dedicated towards supporting the future growth of the Group.

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

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. BEH Kim Ling, aged 55, is the chairman of the Company. Mr. Beh started his career in 1976 as a plastic moulding technician in Singapore. Three years later, Mr. Beh established VS Industry Pte Ltd. which was principally involved in the manufacturing of cassettes and video tapes parts in Singapore. In 1982, Mr. Beh, together with his wife, relocated the entire business operations of VS Industry Pte Ltd. from Singapore to Johor Bahru, Malaysia and set up V.S. Industry Berhad ("VS Berhad") in Johor Bahru, Malaysia. Mr. Beh is the executive chairman of VS Berhad since then. With the vast experience in the plastic moulding injection business gained in Singapore and Malaysia, Mr. Beh founded the Group's business in the PRC in 1997. Mr. Beh has been appointed as an executive Director since 5 November 2001.

In November 2003, Mr. Beh received Honorary Doctorate from the Honolulu University in Hawaii, the United States of America. In recognition of his efforts and dedication, His Excellency, the Governor of Malacca conferred the Darjah Putra Seri Melaka ("DPSM") to him which carries the prestigious title of "Datuk" in December 2012. Currently, Mr. Beh focuses mainly on business development and formulation of the overall business strategy of the Group.

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

Mr. GAN Sem Yam, aged 57, is the managing Director. After completing his secondary education in 1975, Mr. Gan joined one of the shipyards in Singapore as an electrician. Mr. Gan joined VS Berhad in 1982 and was promoted to general manager and director of VS Berhad in February 1988. Mr. Gan has been appointed as an executive Director since 16 July 2001.

In December 2012, in recognition of his efforts and dedication, he was conferred the DPSM which carries the prestigious title of "Datuk" by His Excellency, the Governor of Malacca. Mr. Gan is mainly responsible for the operations and daily management of the Group.

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

Madam GAN Chu Cheng, aged 59, is the finance Director. Madam Gan, together with her husband, Mr. Beh Kim Ling, established VS Berhad in 1982. Madam Gan has accumulated more than 30 years experience in the plastic injection and moulding business. Madam Gan has been appointed as an executive Director since 5 November 2001 and she is an executive director of VS Berhad. Madam Gan has headed several departments including production planning, procurement and finance departments in both VS Berhad and the Group.

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

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

Mr. ZHANG Pei Yu, aged 75, has been with the Group since October 2000 and has been appointed as an executive Director since 5 November 2001. Prior to joining the Group, Mr. Zhang held various managerial positions with a number of large state-owned enterprises and government bureau in the PRC, including Shenyang Auto Mobile Manufacturing Factory, Shenyang Light Industry Bureau, Planning Economy Committee of Shenyang and Shenyang Jinbei Company. Mr. Zhang has gained substantial experience in corporate management and business development in the PRC.

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

NON-EXECUTIVE DIRECTORS

Mr. GAN Tiong Sia, aged 53, has been a member of the Board since 5 November 2001. After graduation from secondary school, Mr. Gan joined VS Berhad as a management trainee. Mr. Gan was subsequently promoted as the marketing manager of VS Berhad in 1986 and became a director of VS Berhad in February 1988.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DIONG Tai Pew, aged 62, was appointed as the independent non-executive Director on 31 August 2002. Mr. Diong graduated with a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. Mr. Diong is a Chartered Accountant of Singapore and Malaysia. He is also a fellow member of the Chartered Tax Institute of Malaysia.

Mr. Diong is a practicing accountant and has more than 30 years of experience in audit and investigation work, taxation, merger and acquisition as well as business development. Mr. Diong is the founder partner of UHY Diong, an accounting and consulting group in Singapore and Malaysia. Mr. Diong is also an independent non-executive director and chairman of the audit committee of each SIG Gases Berhad, a company listed on the main market of Bursa Malaysia, Eastern Holdings Ltd, a company listed on the Mainboard of the Singapore Exchange and Hengyang Petrochemical Logistics Limited, a company listed on the Catalist of the Singapore Exchange.

Directors and Senior Management Profile

Mr. TANG Sim Cheow, aged 54, was appointed as an independent non-executive Director on 30 September 2004. Mr. Tang graduated from the University of Malaya with a Bachelor of Accounting degree in 1984. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, and a fellow member of the Chartered Tax Institute of Malaysia. Mr. Tang joined KPMG Kuala Lumpur upon graduation and was promoted to tax manager in 1988. In 1992, Mr. Tang was seconded to KPMG Johor Bahru to head the tax practice of the Johor Bahru Branch and was promoted to tax director in 1995. Since 2000, Mr. Tang operates his own accounting firm S C Tang & Associates, in Malaysia which provides assurance, tax and consultancy services.

Mr. Tang is currently an independent non-executive director of VS Berhad, holding company of the Company which is listed on the Main Market of Bursa Malaysia.

Mr. LEE Soo Gee, aged 52, was appointed as an independent non-executive Director on 28 January 2011. Mr. Lee started his career with American International Assurance Bhd ("AIA") in 1982 and resigned from his last office as sales agency director of AIA in 2002. He was a director of Malaysian AE Models Holding Berhad from 1999 to 2002, a company listed on the main market of Bursa Malaysia. Mr. Lee subsequently ventured into his own business and is currently the chairman of Imax Health Food Sdn Bhd.

Mr. Lee is an active committee member in Malaysia. He was previously an adviser to the National Civil Volunteer Force in Malaysia and is currently a vice chairman of both (i) the Malaysia-Guangdong Chamber of Investment Promotion and (ii) Malaysian Chamber of Commerce in China-Guangdong. In recognition of his contribution in Malaysia, Mr. Lee was appointed as a Justice of Peace by Sultan of the state of Kelantan in Malaysia in 2009 and was conferred the title "Datuk" by the Governor of the state of Malacca in Malaysia in 2010.

SENIOR MANAGEMENT OF THE GROUP

Mr. HSU Chi Chuan, aged 45, is the general manager of V.S Technology Industry Park (Zhuhai) Co., Ltd ("VS Zhuhai"). Prior to joining the Group in September 2010, Mr. Hsu has gained more than 20 years experience in engineering, tooling and operations of EMS industry in Taiwan and China including holding a position as a general manager for 10 years in a world leading EMS company in China.

Directors and Senior Management Profile

Mr. KEE Chin Guan, aged 41, is the business development director of V.S. Industry (Zhuhai) Co., Ltd. Mr. Kee graduated from the University of Bradford (UK) with a Bachelor of Science major in marketing management. Mr. Kee joined the Group in February 2004 as assistant marketing manager and was promoted to the present position in 2011. He has more than 14 years of experience in the management sales and marketing function.

Mr. LO Boon Wah, aged 44, is the general manager of Haivs Industry (Qingdao) Co., Ltd. ("Haivs Qingdao"), Qingdao GS Electronics Plastic Co., Ltd. ("Qingdao GS") and Qingdao GP Electronic Plastics Co., Ltd. ("Qingdao GPI"). Mr. Lo, who joined the Group in July 2001, holds a Bachelor of Business Administration degree from the University of Utara Malaysia in Malaysia and has over 15 years experience in the administrative functions of operation management.

Mr. LEE Keng Eng, aged 40, is the operation finance controller of the Group. Mr. Lee joined the Group as the finance manager of Haivs Qingdao and Qingdao GS, Qingdao GPI and Qingdao GP Precision Mold Co., Ltd. since year 2004 and was promoted to the present position in April 2009. Mr. Lee has gained over 15 years of experiences in relation to accounting, financing and taxation in the PRC.

Mr. CHONG Chin Siong, aged 46, is the corporate finance controller of the Group. Mr. Chong graduated from the University Science of Malaysia with a Bachelor of Management (majoring in finance and accounting) in year 1992. Prior to joining the Group in January 2009, Mr. Chong has gained more than 15 years experience in internal audit, corporate finance and financial management in a number of public listed companies in Malaysia.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

During the financial year under review, the Company had complied with the Code Provisions, except for the deviations from Code Provision A.2.1 which are explained below.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company, having made specific enquiry of all Directors and the Directors have confirmed that they have complied with the Code and Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2013.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's overall strategic policies. The management is delegated the authority and responsibility by the Board for the management of the Group. The Board is currently composed of four executive Directors namely Mr. Beh Kim Ling as the chairman, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Zhang Pei Yu; one non-executive Director, Mr. Gan Tiong Sia; and three independent non-executive Directors namely Mr. Diong Tai Pew, Mr. Lee Soo Gee and Mr. Tang Sim Cheow. The biographical details of the Directors are set out under the section headed "Directors and senior management profile" of this Annual Report. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the members of the Board has full access to relevant information at the meetings. During the financial year ended 31 July 2013, the Board has convened six meetings at which, among other things, the following activities were conducted:

(1) approved the annual report for the financial year ended 31 July 2012 and matters to be considered at the 2012 annual general meeting;

(2) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2014;

(3) approved fund raising exercise for the Group;

(4) approved the interim results for the six months ended 31 January 2013; and

(5) approved continuing connected transactions of the Group.

The Board is also responsible for determining the Company's corporate governance policies and performing corporate governance duties set out under the CG Code. Its corporate governance duties include, among others, (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal or regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company's disclosure in the Corporate Governance Report.

During the financial year under review, the Board has not held any meeting in relation to its corporate governance functions.

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

Corporate Governance Report

Details of the Directors' attendance records at the board meetings during the financial year ended 31 July 2013 are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(Chairman)*	6/6
Mr. Gan Sem Yam	6/6
Madam Gan Chu Cheng	6/6
Mr. Zhang Pei Yu	6/6
Non-executive Director	
Mr. Gan Tiong Sia	4/6
Independent non-executive Directors	
Mr. Diong Tai Pew	6/6
Mr. Lee Soo Gee	6/6
Mr. Tang Sim Cheow	6/6

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

Details of the Directors' attendance records at the general meetings of the Company during the financial year ended 31 July 2013 are as follows:

	Attendance
Executive Directors	
Mr. Beh Kim Ling *(Chairman)*	1/1
Mr. Gan Sem Yam	1/1
Madam Gan Chu Cheng	1/1
Mr. Zhang Pei Yu	1/1
Non-executive Director	
Mr. Gan Tiong Sia	0/1
Independent non-executive Directors	
Mr. Diong Tai Pew	1/1
Mr. Lee Soo Gee	1/1
Mr. Tang Sim Cheow	1/1

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

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

DIRECTORS' TRAINING

Pursuant to Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The Company shall be responsible for arranging suitable training for all Directors at the Company's expense.

During the financial year under review, the Company has organised a training session conducted by qualified professionals on the topics of inside information and information necessary to avoid false market, so as to ensure that they fully understood their roles, functions and duties as Directors under the Listing Rules. Mr. Beh Kim Ling, Mr. Gan Sem Yam, Madam Gan Chu Cheng, Mr. Zhang Pei Yu, Mr. Diong Tai Pew, Mr. Lee Soo Gee and Mr. Tang Sim Cheow all attended such training session. During the financial year under review, Mr. Gan Tiong Sia attended training in Malaysia on topic of corporate disclosure for directors.

NOMINATION COMMITTEE

The nomination committee of the Company ("Nomination Committee") is currently consisted of three members, comprising two independent non-executive Directors, namely Mr. Tang Sim Cheow (chairman) and Mr. Diong Tai Pew, and one executive Director, namely Madam Gan Chu Cheng. It was established by the Board with effect from 24 March 2012 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions.

The Nomination Committee reviews regularly the structure, size and composition of the Board and may make recommendations to the Board on the nominees for appointment as directors for their consideration and approval. To enhance the quality of the performance of the Board and to achieve diversity on the Board, the Board adopted on 30 August 2013 its board diversity policy ("Board Diversity Policy"), pursuant to which (i) differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors will be taken into account in determining the optimum composition of the Board; and (ii) all Board appointments will be based on merit while taking into account diversity (including gender diversity). For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least 40% of the members of the Board shall be non-executive Directors or independent non-executive Directors;

(B) at least one third of the members of the Board shall be independent non-executive Directors;

(C) at least two of the members of the Board shall have obtained accounting or other professional qualifications;

(D) at least 75% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and

(E) at least two of the members of the Board shall have China-related work experience.

During the financial year ended 31 July 2013, the Nomination Committee has met once to review the structure, size and composition of the Board and review performance of each Director who is subject to retirement by rotation. Mr. Tang Sim Cheow, Mr. Diong Tai Pew and Madam Gan Chu Cheng attended the meeting.

REMUNERATION COMMITTEE

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

During the financial year ended 31 July 2013, the Remuneration Committee has met once to review and approve the remuneration structure of the Directors and senior management of the Company as well as discretionary bonus of the executive Directors for the financial year ended 31 July 2012. Mr. Beh Kim Ling, Mr. Diong Tai Pew and Mr. Lee Soo Gee attended the meeting.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Diong Tai Pew (chairman), Mr. Lee Soo Gee and Mr. Tang Sim Cheow. It was established by the Board with effect from 20 January 2002 and its duties are clearly defined in its terms of reference which have been prepared and adopted according to the Code Provisions.

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

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

(1) reviewed the first and third quarterly results of the Company;

(2) review the interim and annual report of the Company;

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

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

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

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

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2013 are as follows:

	Attendance
Mr. Diong Tai Pew	4/4
Mr. Lee Soo Gee	4/4
Mr. Tang Sim Cheow	4/4

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

AUDITORS' REMUNERATION

During the financial year ended 31 July 2013, audit and non-audit services were provided to the Group by PricewaterhouseCoopers, the auditor of the Company and other external auditors of the subsidiary companies in the PRC:

Services Provided	**Amounts** HK$
Annual audit	
Audit fee for the consolidated financial statements of the Group for the year ended 31 July 2013	1,300,000
Audit fee for the statutory audit of the financial statements of the subsidiary companies in the PRC for the year ended 31 December 2012	410,000
Non-audit services	
Fee for reviewing the interim results for the six months ended 31 January 2013	200,000
Fee for tax consultancy services of the subsidiary companies in the PRC	612,000
	2,522,000

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group. In preparing the financial statements for the financial year ended 31 July 2013, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The statement of the external auditors about their reporting responsibilities on the financial statements are set out in the Independent Auditors' Report to the Shareholders on pages 43 to 44 of this Annual Report.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control. During the financial year under review, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee. There was no significant incidence of failure in connection with the financial, operational and compliance control during the financial year ended 31 July 2013.

During the financial year under review, the Board has considered through the Audit Committee the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders ("Shareholders") of the Company to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(1) One or more Shareholders ("Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

Corporate Governance Report

(2) Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Head office and principal place of business of the Company in Hong Kong

Address: 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Email: corporate@vs-ig.com
Attention: the Board of Directors/Company Secretary

Registered office of the Company

Address: Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Attention: the Board of Directors/Company Secretary

(3) The EGM shall be held within two months after the deposit of such requisition.

(4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for shareholders to direct enquiries to the Company

For matters in relation to the Board, the Shareholders can contact the Company at the following:

Address: 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Email: corporate@vs-ig.com
Tel: (86)-756-3392338-1238
Fax: (86)-756-3385681/3385691
Attention: the Board of Directors/Company Secretary

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered Shareholders can contact:

Hong Kong branch share registrar and transfer office of the Company

Computershare Hong Kong Investor Services Limited
Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: (852) 2862 8555
Fax: (852) 2529 6087

Procedures for shareholders to put forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal ("Proposal") with his/her detailed contact information at the Company's principal place of business at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the board of directors of the Company will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) At least 14 days' notice in writing if the Proposal requires approval by way of an ordinary resolution of the Company.

(b) At least 21 days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

INVESTOR RELATIONS

There was no significant change in Company's constitutional documents during the year ended 31 July 2013.

Report of the Directors

The Directors have pleasure in submitting their Annual Report together with the audited financial statements of the Group for the financial year ended 31 July 2013.

PRINCIPAL ACTIVITIES

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

An analysis of the principal activities and geographical locations of the operations of the Group during the financial year is set out in note 5 to the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	17%	–
Five largest customers in aggregate	55%	–
The largest supplier	–	8%
Five largest suppliers in aggregate	–	24%

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

FINANCIAL STATEMENTS

The results of the Group for the financial year ended 31 July 2013 and the state of the Company's and the Group's affairs as at 31 July 2013 are set out in the audited financial statements on pages 45 to 110.

DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 July 2013 (2012: Nil).

FIXED ASSETS

Details of movements in fixed assets of the Company and the Group during the financial year are set out in note 15 to the audited financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 28 to the audited financial statements.

On 27 November 2012, in order to raise capital for the Group to facilitate its long-term development and further strengthen its financial position, the Company entered into a subscription agreement with Mr. Anthony Yap Siuw Juh, Mr. Lim Ban Kwan and Mr. Koh Chan Guan as subscribers ("Subscribers") pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 115,000,000 ordinary shares of HK$0.05 each in the share capital of the Company ("Subscription Shares"), representing a total nominal value of HK$5,750,000, at the subscription price of HK$0.168 per Subscription Share ("Subscription"). The closing price per share of the Company as quoted on the Stock Exchange on 27 November 2012 was HK$0.180 per share. Taking into account the expenses of the Subscription in the amount of approximately HK$300,000, the net price to the Company of each Subscription Share is approximately HK$0.165 per Subscription Share. The aggregate 115,000,000 Subscription Shares represent 9.69% of the then issued and share capital of the Company as at date of the announcement. The Subscription was completed on 18 December 2012. The gross proceeds from the Subscription approximately HK$19.30 million was applied to the general working capital of the Group.

RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity in the audited financial statements. Details of the movement in the reserves of the Company's individual components of equity are set out in the note 29 to the audited financial statements.

DISTRIBUTABLE RESERVES

As at 31 July 2013, the Company's reserves available for distribution calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to HK$223,409,000 (2012: HK$261,702,000). These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Report of the Directors

DIRECTORS

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

Executive Directors

Beh Kim Ling

Gan Sem Yam

Gan Chu Cheng

Zhang Pei Yu

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew

Tang Sim Cheow

Lee Soo Gee

In accordance with article 108(A) of the Company's articles of association, not less than one-third of the Directors for the time being should retire from office by rotation at each annual general meeting. Accordingly, Madam. Gan Chu Cheng, Mr. Gan Tiong Sia and Mr. Lee Soo Gee will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at such meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

As at 31 July 2013, 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	67,962,027 Shares(L) (Note 3)	5.06%
	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	35,737,117 Shares(L) (Note 3)	2.66%
	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	97,502,038 Shares(L) (Note 3)	7.26%
	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	2,000 Shares(L)	0.00%
Gan Tiong Sia	The Company	Beneficial owner	36,215,074 Shares(L) (Note 3)	2.70%
	VSHK	Beneficial owner	3,750,000 non voting deferred shares of HK$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	1,413,129 Shares(L) (Note 3)	0.11%
Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares(L)	0.05%

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

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.

2. The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.

3. On 14 March 2011, upon completion of and in connection with the rights issue of the Company in 2011, an aggregate of 144,496,000 bonus warrants of the Company ("Bonus Warrants") were issued to the subscribers on the basis of one Bonus Warrant for every two Rights Shares taken up. The holders of the Bonus Warrants are entitled to subscribe for ordinary Shares at an exercise price of HK$0.12 per Share for the period from 16 March 2011 to 15 March 2014. Details of the Bonus Warrants issued to the Directors are as follows:–

Name of Director	Number of Shares that would be allotted and issued upon exercise of the Bonus Warrants
Beh Kim Ling	6,533,461
Gan Sem Yam	3,046,250
Gan Chu Cheng	19,113,465
Gan Tiong Sia	2,103,463
Diong Tai Pew	91,333

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 financial year ended 31 July 2013 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 33 to the audited financial statements, no contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

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

As at 31 July 2013, 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 (Note 1)	Nature of interest/capacity	Approximate percentage of Interest
V.S. Industry Berhad	800,087,971 (L) (Note 2)	Beneficial owner	59.61%

Notes:

1. The letter "L" represents the shareholder's long position interest in the Shares.
2. Such Shares represent 722,606,425 Shares and 77,481,546 Bonus Warrants beneficially owned by V.S. Industry Berhad.

SHARE OPTION SCHEME

The Company operates a share option scheme ("Share Option Scheme"), which was adopted on 21 September 2012, for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. The Share Option Scheme became effective on 21 September 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Details of the Share Option Scheme are set out in note 26 to the audited financial statements.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any Subsidiary or any Invested Entity;

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

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

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

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

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

SHARE OPTION SCHEME (CONTINUED)

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

As at the date of this report, the total number of share options available for issue, save for those granted but yet to be exercised, under the Share Option Scheme is 115,603,466, which represent approximately 8.61% of the issued share capital of the Company as at date of this report. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

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

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

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

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

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

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

(iii) the nominal value of the Shares.

The following table discloses details of share options held by the grantees and movements in such holdings during the financial year ended 31 July 2013:

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 2012	Exercised during the year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at 31 July 2013
Directors									
Beh Kim Ling	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.310	2,748,260	2,748,260	–	–	–
		1 August 2011 to 31 July 2013	0.169	0.310	2,748,260	2,748,260	–	–	–
		1 August 2012 to 31 July 2013	0.169	0.310	3,664,347	3,664,347	–	–	–
Gan Sem Yam	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.310	2,748,260	2,748,260	–	–	–
		1 August 2011 to 31 July 2013	0.169	0.310	2,748,260	2,748,260	–	–	–
		1 August 2012 to 31 July 2013	0.169	0.310	3,664,347	3,664,347	–	–	–

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 2012	Exercised during the year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at 31 July 2013
Gan Chu Cheng	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.310	2,748,260	2,748,260	–	–	–
		1 August 2011 to 31 July 2013	0.169	0.310	2,748,260	2,748,260	–	–	–
		1 August 2012 to 31 July 2013	0.169	0.310	3,664,347	3,664,347	–	–	–
Zhang Pei Yu	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.170	2,748,260	2,748,260	–	–	–
		1 August 2011 to 31 July 2013	0.169	0.170	2,748,260	2,748,260	–	–	–
		1 August 2012 to 31 July 2013	0.169	0.170	3,664,347	3,664,347	–	–	–
Gan Tiong Sia	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.310	1,342,173	1,342,173	–	–	–
		1 August 2011 to 31 July 2013	0.169	0.310	1,342,173	1,342,173	–	–	–
		1 August 2012 to 31 July 2013	0.169	0.310	1,789,565	1,789,565	–	–	–

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 2012	Exercised during the year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at 31 July 2013
Diong Tai Pew	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.310	191,739	191,739	–	–	–
		1 August 2011 to 31 July 2013	0.169	0.310	191,739	191,739	–	–	–
		1 August 2012 to 31 July 2013	0.169	0.310	255,652	255,652	–	–	–
Tang Sim Cheow	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.310	191,739	191,739	–	–	–
		1 August 2011 to 31 July 2013	0.169	0.310	191,739	191,739	–	–	–
		1 August 2012 to 31 July 2013	0.169	0.310	255,652	255,652	–	–	–
					42,395,639	42,395,639	–	–	–
Other employees (Note 2)	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.170	6,825,905	6,472,253		353,652	–
		1 August 2011 to 31 July 2013	0.169	0.170	6,825,905	6,472,253		353,652	–
		1 August 2012 to 31 July 2013	0.169	0.170	9,015,986	8,551,552		464,434	–
					22,667,796	21,496,058		1,171,738	–
					65,063,435	63,891,697		1,171,738	–

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The average closing price of the Shares as stated on the Stock Exchange's daily quotation sheets five trading days immediately before 3 February 2010, being the date of the grant of share options during the year, was HK$0.180. The exercise price of share options was being adjusted to HK$0.169 pursuant to Rights Issue of 288,992,000 shares and 144,496,000 warrants.

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 1,171,738 share options being cancelled during the financial year ended 31 July 2013.

The fair value of the share options granted during the year with the exercise price of HK$0.169 per share is estimated at approximately HK$0.258 at the date of grant using the Binomial option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The inputs into the Model were as follows:

Dividend yield (%)	0.00
Expected volatility (%)	85.48
Risk-free interest rate (%)	1.22
Expected life of options (years)	3.50
Exercise price (HK$ per share)	0.169

The expected life of the options is estimated by averaging the vesting term and the term from vesting date to the option expiry date and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the financial year ended 31 July 2013.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the financial year ended 31 July 2013 are set out in note 33 to the audited financial statements.

The Group had entered into the following continuing connected transactions during the financial year ended 31 July 2013, details of which are required to be disclosed in this report pursuant to Chapter 14A of the Listing Rules:–

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

On 27 July 2012, V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("VS Zhuhai"), V.S. Industry (Zhuhai) Co., Ltd. ("VSI (Zhuhai)") and VSA Electronics Technology (Zhuhai) Co., Ltd. ("VSAZH") (collectively, the "Tenants") entered into a lease agreement ("Lease Agreement") with VS Management for the leasing of 20 blocks of residential buildings ("Leased Premises") in a residential complex for a term of two years commenced on 1 August 2012. The Leased Premises are used as staff quarters of the Tenants and the Group.

The Directors believed that the proximity of the Leased Premises to the production facilities of the Tenants not only gives the employees great convenience but also can help to reduce the transportation costs incurred by the Group for arranging employees to come to work. In addition, the Directors considered that the Leased Premises can provide well-managed staff quarters for the Tenants.

Each of VS Zhuhai, VSI (Zhuhai) and VSAZH is a wholly-owned subsidiary of the Company. The entire issued share capital of VS Management is owned by Mr. Beh Kim Ling, an executive Director. Accordingly, VS Management is an associate of each of Mr. Beh Kim Ling and Madam Gan Chu Cheng (the wife of Mr. Beh Kim Ling) and is therefore a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules and the tenancy arrangements as contemplated under the Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to the Lease Agreement, the monthly rent and management fee of RMB660,858 (equivalent to HK$805,924*) is payable on the fifth day of each month during the tenancy period. The aggregate annual rent and management fee payable by the Tenants to VS Management was estimated to be RMB7,930,290 for each of the two financial years ending 31 July 2014. The annual cap amount of rent and management fee payable was expected to be RMB7,930,290 for each of the two financial years ending 31 July 2014. The amount actually paid by the Tenants for the year ended 31 July 2013 was RMB7,930,290 (equivalent to approximately HK$9,671,086*).

Details of the above-mentioned continuing connected transactions were set out in the Company's announcement dated 27 July 2012.

* Calculated based on the exchange rate set out in the announcement of the Company dated 27 July 2012.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Continuing connected transactions with V.S. Industry Berhad

On 24 September 2011, V.S. International Industry Limited ("VSIIL"), a wholly-owned subsidiary of the Company, entered into a master supply agreement ("VS Berhad Supply Agreement") with VS Berhad in relation to the supplies of moulds and plastic moulded products and parts by VSIIL and its subsidiaries ("VSIIL Group") to VS Berhad and its subsidiaries ("VS Berhad Group") for a term of three years commencing from 1 August 2011 and ending on 31 July 2014. The expected capped amount of sales to VS Berhad for each of the three years ending 31 July 2014 are HK$9,800,000. The actual amount of sales to VS Berhad Group for the year ended 31 July 2013 was HK$5,089,000.

The actual amount, specification and price of the products to be supplied under the VS Berhad Supply Agreement are subject to individual orders placed by the VS Berhad Group with the VSIIL Group.

VSIIL Group is principally engaged in the production and sales of plastic moulded components and parts, assembling of electronic products and mould design and fabrication. VS Berhad Group is principally involved in the manufacturing, assembling and sale of electronic and plastic moulded products, components and parts. The VSIIL Group has been selling moulds designed and fabricated, and plastic moulded products and parts manufactured by the VSIIL Group to the VS Berhad Group since 2000. The supply of moulds and plastic moulded products and parts by the VSIIL Group to the VS Berhad Group will continue to be conducted in the ordinary and usual course of business of the Group.

As VS Berhad was a substantial shareholder of the Company during the financial year under review, VS Berhad was a connected person of the Company. The sales under the VS Berhad Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Relevant information on the VS Berhad Supply Agreement was set out in the announcement of the Company dated 24 September 2011.

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

On 22 September 2012, VS Zhuhai and VSI (Zhuhai) entered into a master processing agreement ("Kejie Master Processing Agreement") with Zhuhai Kejie. Pursuant to the Kejie Master Processing Agreement, VS Zhuhai and VSI (Zhuhai) agreed to engage Zhuhai Kejie for the provision of processing services, being colouration of plastic resin material and modification of chemical structure of plastic resin for the term of the Kejie Master Processing Agreement commencing from 1 August 2012 and ending on 31 July 2015.

The quantity, specification and price of the processing services to be provided by Zhuhai Kejie will be subject to individual orders placed by VS Zhuhai and VSI (Zhuhai) with Zhuhai Kejie.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

The process of colouration of plastic resin materials and modification of chemical structure of plastic resin would enhance the quality of the finished goods. However, VS (Zhuhai) and VSI Zhuhai do not have the necessary machineries and skilled labours for such processes. For these reasons, VS (Zhuhai) and VSI Zhuhai have been outsourcing the processes. As Zhuhai Kejie is located in Zhuhai which is in closer proximity to the Group's production facilities, the Directors considered that it is more convenient and in the interest of the relevant companies to engage Zhuhai Kejie for the provision of processing services.

The expected annual capped amounts for the fees payable to Zhuhai Kejie under the Kejie Mater Processing Agreement for the three years ending 31 July 2015 are HK$6,000,000, HK$6,000,000 and HK$6,000,000 respectively. The actual amount of fees paid to Zhuhai Kejie for the year ended 31 July 2013 was HK$3,262,000.

Zhuhai Kejie is owned by Hongkong Weihui Int'l Limited as to 80%, which is owned by Mr. K.H. Beh as to 60%. Mr. K.H. Beh is the brother of Mr. Beh Kim Ling ("Mr. Beh"), an executive Director. Mr. Beh does not have any direct or indirect interest in Zhuhai Kejie and cannot control the composition of a majority of the board of directors of Zhuhai Kejie. Save as mentioned above, Mr. Beh does not have any other relationship with Zhuhai Kejie. Pursuant to Rule 14A.11(1) of the Listing Rules, Mr. Beh, being a Director, is a connected person of the Company. Pursuant to Rule 14A.11(4)(b) of the Listing Rules, Mr. K.H. Beh, being the brother of Mr. Beh, is an associate of Mr. Beh. In view of such relationships and the transactions contemplated under the Kejie Master Processing Agreement, Zhuhai Kejie is deemed to be a connected person of the Company under the Listing Rules by the Stock Exchange. Accordingly, the transactions pursuant to the Kejie Master Processing Agreement are deemed to be continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Relevant information of the Kejie Master Processing Agreement was set out in the Company's announcement dated 22 September 2012.

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

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

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

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

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

1. had been approved by the Board;

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

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

4. the aggregate consideration received or paid in respect of the above continuing connected transactions during the financial year ended 31 July 2013 had not exceeded the cap disclosed in the respective announcement and/or circular.

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

PRE-EMPTIVE RIGHTS

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

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

During the financial year ended 31 July 2013, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 July 2013 are set out in note 25 to the audited financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year ended 31 July 2013 is set out in note 8 to the audited financial statements.

FIVE YEARS SUMMARY

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

Report of the Directors

PROPERTIES

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

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 10 to the audited financial statements.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established by the Board on 20 January 2002 and was re-constituted on 30 September 2004 and 24 March 2012 respectively. The role, function and composition of the Audit Committee are set out on page 21 of this annual report.

The Audit Committee has reviewed the Group's financial statements for the year ended 31 July 2013 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued Shares under the Listing Rules at any time during the financial year ended 31 July 2013.

AUDITORS

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

By order of the Board

Beh Kim Ling
Chairman
Macau
24 September 2013

Independent Auditors' Report

羅兵咸永道

TO THE SHAREHOLDERS OF V.S. INTERNATIONAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of V.S. International Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 110, which comprise the consolidated and company statements of financial position as at 31 July 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

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Independent Auditors' Report

pwc 羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements, which describes that the Group incurred a net loss of HK$38,197,000 during the year ended 31 July 2013 and as at that date, the Group's current liabilities exceeded its current assets by HK$19,990,000. These conditions, along with other matters as described in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 September 2013

Consolidated Income Statement

For the year ended 31 July 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,220,632**	1,513,099
Cost of sales		**(1,113,584)**	(1,364,572)
Gross profit		**107,048**	148,527
Other income	6	**1,312**	7,171
Other gains/(losses) – net	6	**21,690**	(26,400)
Distribution costs		**(52,101)**	(68,394)
Administrative expenses		**(80,966)**	(84,705)
Operating loss	7	**(3,017)**	(23,801)
Finance income		**1,112**	887
Finance costs		**(23,083)**	(35,903)
Finance costs – net	8	**(21,971)**	(35,016)
Share of losses from associates	18	**(3,520)**	(590)
Loss before income tax		**(28,508)**	(59,407)
Income tax expense	9	**(9,689)**	(14,289)
Loss for the year		**(38,197)**	(73,696)
Attributable to:			
Equity holders of the Company		**(38,197)**	(73,785)
Non-controlling interests		**–**	89
Loss for the year		**(38,197)**	(73,696)
Loss per share attributable to equity holders of the Company during the year (HK cents)			
Basic and diluted	14	**(3.04)**	(6.38)

The notes on pages 52 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(38,197)**	(73,696)
Other comprehensive income for the year		
Items that may not be reclassified subsequently to profit or loss		
Exchange differences	**23,177**	4,781
Total comprehensive loss for the year	**(15,020)**	(68,915)
Attributable to:		
Equity holders of the Company	**(15,020)**	(69,004)
Non-controlling interests	**–**	89
Total comprehensive loss for the year	**(15,020)**	(68,915)

The notes on pages 52 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 July 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**612,689**	672,430
Land use rights	15	**25,395**	25,107
Goodwill	16	**2,172**	2,172
Interest in an associate	18	**21,770**	25,290
Prepayments	20	**577**	–
Deferred income tax assets	27	**2,846**	–
		665,449	724,999
Current assets			
Inventories	19	**124,144**	143,825
Trade and other receivables	20	**302,029**	360,580
Amounts due from related parties	33	**5,382**	5,974
Derivative financial instruments	23	**5,826**	–
Bank deposits	21	**22,564**	39,218
Cash and cash equivalents	22	**81,285**	90,848
		541,230	640,445
Total assets		**1,206,679**	1,365,444
Equity			
Share capital	28	**67,112**	57,801
Share premium	28	**116,778**	90,210
Reserves	29	**233,006**	253,056
Total equity attributable to equity holders of the Company		**416,896**	401,067

Consolidated Statement of Financial Position

At 31 July 2013

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	24(c)	–	11,081
Borrowings	25	226,170	257,125
Deferred income tax liabilities	27	2,393	2,231
		228,563	270,437
Current liabilities			
Trade and other payables	24	334,467	358,982
Amounts due to related parties	33	4,450	1,992
Derivative financial instruments	23	–	6,412
Borrowings	25	213,879	316,180
Tax payables		8,424	10,374
		561,220	693,940
Total liabilities		789,783	964,377
Total equity and liabilities		1,206,679	1,365,444
Net current liabilities		(19,990)	(53,495)
Total assets less current liabilities		645,459	671,504

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 52 to 110 are an integral part of these consolidated financial statements.

Statement of Financial Position

At 31 July 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17(a)	**385,447**	433,724
Current assets			
Other receivables	20	**26**	1
Amounts due from subsidiaries	17(b)	**54,238**	39,403
Cash and cash equivalents	22	**481**	56
		54,745	39,460
Total assets		**440,192**	473,184
Equity			
Share capital	28	**67,112**	57,801
Share premium	28	**116,778**	90,210
Reserves	29	**106,631**	176,602
Total equity attributable to equity holders of the Company		**290,521**	324,613
LIABILITIES			
Current liabilities			
Other payables	24	**7,043**	18,430
Amounts due to subsidiaries	17(b)	**142,628**	130,141
Total liabilities		**149,671**	148,571
Total equity and liabilities		**440,192**	473,184
Net current liabilities		**(94,926)**	(109,111)
Total assets less current liabilities		**290,521**	324,613

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 52 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2013

	Note	Share capital HK$'000 (note 28)	Share premium HK$'000 (note 28)	Reserves HK$'000 (Note 29)	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 August 2011		57,798	90,205	320,573	2,630	471,206
Loss for the year		–	–	(73,785)	89	(73,696)
Other comprehensive income						
Exchange difference		–	–	4,781	–	4,781
Total comprehensive loss		–	–	(69,004)	89	(68,915)
Conversion of bonus warrants to ordinary shares	28	3	5	–	–	8
Equity settled share-based transactions	26	–	–	1,229	–	1,229
Acquisition of non-controlling interest	31	–	–	258	(2,719)	(2,461)
Balance at 31 July 2012		57,801	90,210	253,056	–	401,067
Balance at 1 August 2012		57,801	90,210	253,056	–	401,067
Loss for the year		**–**	**–**	**(38,197)**	**–**	**(38,197)**
Other comprehensive income						
Exchange difference		**–**	**–**	**23,177**	**–**	**23,177**
Total comprehensive loss		**–**	**–**	**(15,020)**	**–**	**(15,020)**
Conversion of bonus warrants	28	**365**	**512**	**–**	**–**	**877**
Issuance of shares upon the exercise of share options	26	**3,196**	**12,632**	**(5,030)**	**–**	**10,798**
Issuance of new shares	28	**5,750**	**13,424**	**–**	**–**	**19,174**
Balance at 31 July 2013		**67,112**	**116,778**	**233,006**	**–**	**416,896**

The notes on pages 52 to 110 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 July 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	34	**125,564**	190,289
Income tax paid		**(14,323)**	(10,948)
Net cash generated from operating activities		**111,241**	179,341
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		**(25,310)**	(71,764)
Proceeds from sale of property, plant and equipment	34	**8,724**	27,817
Decrease in bank deposits		**16,799**	21,845
Proceeds from sale of an associate	18	**–**	1,600
Interest received		**1,112**	887
Dividends received from an associate		**–**	504
Net cash generated from/(used in) investing activities		**1,325**	(19,111)
Cash flows from financing activities			
Capital element of finance lease rentals paid		**–**	(7,164)
Interest element of finance lease rentals paid		**–**	(263)
Repayment of loan from a substantial shareholder		**–**	(4,894)
Repayment of bank loans		**(580,702)**	(919,799)
Proceeds from new bank loans		**448,606**	786,857
Proceeds from shares issued under share option scheme		**10,798**	–
Net proceeds from issuance of new shares	28	**19,174**	–
Payment for the acquisition of non-controlling interests	31	**–**	(2,461)
Proceeds from conversion of bonus warrants to ordinary shares		**877**	8
Borrowing costs paid		**(23,122)**	(35,733)
Net cash used in financing activities		**(124,369)**	(183,449)
Net decrease in cash and cash equivalents		**(11,803)**	(23,219)
Cash and cash equivalents at beginning of year	22	**67,590**	94,939
Effect of foreign exchange rates changes		**1,518**	(4,130)
Cash and cash equivalents at end of year	22	**57,305**	67,590

The notes on pages 52 to 110 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

V.S. International Group Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the manufacturing and sales of plastic moulded products and parts, assembling of electronic products, and mould design and fabrication. The Company was incorporated in the Cayman Islands on 9 July 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Huchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

From 10 July 2013 onwards, the Company is ultimately owned by V.S. Industry Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in HK dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 September 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) Going concern basis

As at 31 July 2013, the Group's current liabilities exceeded its current assets by HK$19,990,000 and the Group incurred a net loss of HK$38,197,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 July 2013, the Group had undrawn facilities of approximately HK$285,000,000 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 the liquidity position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Going concern basis (continued)

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 the current bank loans upon expiry or to secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the twelve months from the reporting date of this consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(b) Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for the Group's accounting periods beginning on or after 1 July 2012:

- HKAS 1 (Revised) (Amendment), "Presentation of items of other comprehensive income"
- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets"

The adoption of these amendments to standards did not have any significant impact on the results and financial position of the Group.

(c) Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group

The following published standards, and amendments and interpretations to existing standards are mandatory for the Group's accounting periods beginning on or after 1 August 2013 or later periods and have not been early adopted by the Group:

- HKAS 19 (2011), "Employee benefits" [1];
- HKAS 27 (2011), "Separate financial statements" [1];
- HKAS 28 (2011), "Investments in associates and joint ventures" [1];
- HKFRS 9, "Financial instruments" [1];
- HKFRS 10, "Consolidated financial statements" [1];
- HKFRS 11, "Joint arrangements" [1];

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKFRS 12, "Disclosure of interests in other entities" [1];
- HKFRS 13, "Fair value measurement" [1];
- Amendments to HKAS 32, "Financial instruments: Presentation – Offsetting financial assets and financial liabilities" [2];
- Amendments to HKAS 36, "Recoverable amount disclosures for non-financial assets" [2];
- Amendments to HKAS 39, "Novation of derivatives and continuation of hedge accounting" [2];
- Amendments to HKFRS 7, "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities" [1];
- Amendments to HKFRS 10, "Consolidated financial statements" [1];
- Amendments to HKFRS 11, "Joint arrangements" [1];
- Amendments to HKFRS 12, "Disclosure of interests in other entities: Transition guidance" [1];
- Amendments to HKAS 27 (2011), "Investment entities" [2];
- HK (IFRIC) – Int 20, "Stripping costs in the production phrase of a surface mine" [1]; and
- HK (IFRIC) – Int 21, "Levies" [2].

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

The directors anticipate that the adoption of the above new standards, interpretations and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment, if any. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

(c) Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of losses from associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses are presented in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost mainly represents consideration paid for the rights to use the land on which various plant and buildings are situated for a prescribed period from the date the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of leases.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values (if any) over their estimated useful lives as follows:

Buildings	the shorter of the unexpired term of lease and 50 years
Leasehold improvements	the shorter of the unexpired term of lease and 10 years
Plant and machinery	3 to 10 years
Office equipment, furniture and fixtures	3 to 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 2.13 and 2.14).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(b) Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains-net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first in, first out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts.

2.15 Share capital

Ordinary shares are classified as equity.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associate, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is legally enforceable rights to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.20 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by government or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

(b) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense within "finance costs" in the income statement.

2.22 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values.

Derivative financial instruments that do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease periods.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sale of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectivity of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the lease.

2.26 Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Financial guarantee (continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the income statement.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly monitors the financial risks of the Group. The use of derivative financial instruments to hedge certain risk exposures is governed by the Group's policies approved by the Board of Directors of the Company. The Group would occasionally enter into certain forward foreign exchange contracts to manage its exchange risks. The Group does not use derivative financial instruments for speculative purposes.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China with most of the transactions settled in United States dollar ("US$"), HK$, and Chinese Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk from various currency exposures, primarily with respect to US$.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

Management has a policy to require group companies to manage their foreign exchange risk against their functional currencies. It mainly includes managing the exposures arising from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and would enter into forward foreign exchange contracts to manage its foreign exchange risks, where appropriate.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Group			
	US$		HK$	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other receivables	**133,838**	184,548	**14,386**	20,899
Bank deposits	**11,514**	11,461	**–**	–
Cash and cash equivalents	**33,671**	41,307	**806**	2,564
Trade and other payables	**(97,619)**	(107,048)	**(11,742)**	(13,553)
Interest-bearing borrowings	**(333,884)**	(417,313)	**(23,980)**	(23,258)
Overall net exposure	**(252,480)**	(287,045)	**(20,530)**	(13,348)

As HK$ is pegged to US$, management considers that the Group's foreign exchange exposures from US$ with respect to HK$ is relatively insignificant. At 31 July 2013, if RMB had weakened/strengthened by 5% against US$, with all other variables held constant, post-tax loss for the year would have been approximately HK$7,343,000 higher/lower (2012: HK$8,523,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

The carrying amounts of cash at banks, bank deposits, trade receivables, deposits and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. As at the end of the reporting period, 19% (2012: 14%) and 51% (2012: 46%) of the trade receivables are due from the Group's largest customer and the five largest customers respectively.

To manage its credit risk, the Group has policies in place to ensure that products are sold to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors.

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the trade and other debtors, and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and directors are of the opinion that adequate provision for uncollectible receivables has been made in these financial statements.

The majority of the Group's cash at banks are deposited in major financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. Management does not expect any losses arising from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities as described in note 2.1(a).

The Group's primary cash requirements have been for additions to and upgrades on property, plant and equipment, settlement of borrowings, payment for trade and other payables and payment for operating expenses. The Group mainly finances its working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payments computed using contractual rates, based on the earliest date on which the Group can be required to pay.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Group				
At 31 July 2013				
Borrowings	**225,209**	**37,885**	**198,327**	**461,421**
Trade and other payables	**311,904**	**–**	**–**	**311,904**
Amounts due to related parties	**4,450**	**–**	**–**	**4,450**
At 31 July 2012				
Borrowings	331,583	39,611	230,134	601,328
Trade and other payables	330,792	11,081	–	341,873
Amounts due to related parties	1,992	–	–	1,992

As at 31 July 2013, certain derivative financial instruments of the Group in respect of foreign currencies are settled on gross basis and would result in cash inflow of HK$293,671,000 (2012: HK$434,684,000) and cash outflow of HK$285,419,000 (2012: HK$437,294,000) within 1 year after the reporting date. As the derivative financial instruments will all mature within 12 months, the impact of discounting is not significant.

As at 31 July 2013 and 2012, all of the Company's financial liabilities are due for settlement contractually within 12 months.

(d) Cash flow and fair value interest-rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets except for the cash and cash equivalents and bank deposits, details of which are disclosed in notes 21 and 22. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, details of which are disclosed in note 25. Borrowings carried at floating rates expose the Group to cash flow interest rate risk while those carried at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 July 2013, if the interest rates on borrowings had been 50 basis points higher/lower, with all other variables held constant, post-tax loss for the year would have been HK$1,870,000 higher/lower (2012: HK$2,362,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

As at 31 July 2013 and 2012, all the resulting fair value estimates on the derivative financial instruments are included in level 2 according to the fair value measurement hierarchy under HKFRS 7.

The different levels of fair value measurements are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of derivative financial instruments comprising forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

As at 31 July 2013 and 2012, all the resulting fair value estimates on the derivative financial instruments were included in level 2.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, bank deposits, and trade and other receivables, and the Group's current financial liabilities including trade and other payables, and borrowings, approximate their fair values due to their short maturities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or obtain new bank borrowings.

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

The table below analyses the Group's capital structure as at 31 July 2013 and 2012:

	2013 **HK$'000**	2012 HK$'000
Total borrowings (note 25)	**440,049**	573,305
Less: Cash and cash equivalents, and bank deposits (notes 21 and 22)	**(103,849)**	(130,066)
Net debt	**336,200**	443,239
Total equity	**416,896**	401,067
Total capital	**753,096**	844,306
Gearing ratio	**45%**	52%

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Estimated impairment of non-financial assets

Non-financial assets including property, plant and equipment, interest in an associate, and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amounts, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

(c) Estimation of provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of receivables and doubtful debt expense in the period in which such estimate is changed.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors assess the performance of the single operating segment based on a measure of profit before share of results from associates, finance income, finance costs and income tax expense. The executive directors consider the business from services perspective only. From services perspective, management assesses the performance of the following three reportable segments and regards these being the 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

Revenue for the year consists of the following:

	2013 **HK$'000**	2012 HK$'000
Turnover		
Plastic injection and moulding	**729,805**	924,118
Assembling of electronic products	**430,904**	488,934
Mould design and fabrication	**59,923**	100,047
	1,220,632	1,513,099

The Group's customer base is diversified but includes three individual customers with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2013 (2012: three).

(i) Segment results, assets and liabilities

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

Segment assets include all tangible and current assets other than interest in an associate, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, accruals and bills payable attributable to the individual segments.

5 SEGMENT INFORMATION (CONTINUED)

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

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 sales), 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 executive directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 July 2013 and 2012 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**729,805**	924,118	**430,904**	488,934	**59,923**	100,047	**1,220,632**	1,513,099
Reportable segment result	**16,494**	30,147	**20,950**	7,729	**5,336**	14,513	**42,780**	52,389
Other segment information								
Depreciation and amortisation for the year	**(49,079)**	(55,121)	**(15,659)**	(19,735)	**(11,011)**	(13,618)	**(75,749)**	(88,474)
Provision for impairment of receivables	**(930)**	(572)	**–**	–	**–**	(69)	**(930)**	(641)
Reportable segment assets	**757,230**	819,988	**163,856**	220,172	**105,931**	114,406	**1,027,017**	1,154,566
Addition to non-current segment assets during the year	**8,928**	19,214	**2,303**	3,222	**172**	2,103	**11,403**	24,539
Reportable segment liabilities	**189,794**	203,458	**77,076**	109,930	**17,819**	17,896	**284,689**	331,284

5 SEGMENT INFORMATION (CONTINUED)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2013 HK$'000	2012 HK$'000
Revenue		
Reportable segment revenue	**1,220,632**	1,513,099
Consolidated turnover	**1,220,632**	1,513,099

	2013 HK$'000	2012 HK$'000
Profit or loss		
Reportable segment profit	**42,780**	52,389
Finance income	**1,112**	887
Finance costs	**(23,083)**	(35,903)
Unallocated depreciation and amortisation	**(7,723)**	(5,860)
Unallocated head office and corporate expenses	**(38,074)**	(70,330)
Share of losses from associates	**(3,520)**	(590)
Consolidated loss before income tax	**(28,508)**	(59,407)
Assets		
Reportable segment assets	**1,027,017**	1,154,566
Interest in an associate	**21,770**	25,290
Deferred income tax assets	**2,846**	–
Unallocated head office and corporate assets	**155,046**	185,588
Consolidated total assets	**1,206,679**	1,365,444
Liabilities		
Reportable segment liabilities	**284,689**	331,284
Deferred income tax liabilities	**2,393**	2,231
Unallocated head office and corporate liabilities	**502,701**	630,862
Consolidated total liabilities	**789,783**	964,377

5 SEGMENT INFORMATION (CONTINUED)

(iii) Geographical segments

The Group's business is operated in six (2012: seven) major economic environments.

Revenue from external customers is analysed as follows:

	2013 HK$'000	2012 HK$'000
Mainland China	**634,655**	812,977
United States of America	**254,733**	291,214
Europe	**214,210**	89,006
Hong Kong	**62,401**	207,681
Northern Asia	**45,413**	77,033
South East Asia	**9,220**	34,641
South Africa	**–**	547
	1,220,632	1,513,099

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

6 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	2013 HK$'000	2012 HK$'000
Other income		
Rental income	**898**	–
Sales of scrap materials	**414**	3,833
Other	**–**	3,338
	1,312	7,171
Other gains/(losses) – net		
Net foreign exchange gain	**1,635**	189
Changes in fair value of forward foreign exchange contracts	**5,826**	(6,412)
Net gain on forward foreign exchange contracts	**14,424**	4,382
Net loss on disposal of property, plant and equipment	**(195)**	(25,496)
Gain on disposal of an associate (note 18)	**–**	937
	21,690	(26,400)

7 OPERATING LOSS

The Group's operating loss is arrived at after charging/(crediting) the following:

	2013 HK$'000	2012 HK$'000
Cost of inventories	**1,113,584**	1,364,572
Staff costs (Note 10)	**224,195**	285,927
Auditors' remuneration	**1,710**	2,018
(Write-back of provision)/provision for impairment of		
– trade receivables (note 20)	**(94)**	42
– other receivables	**1,024**	599
– inventories (note 19)	**(441)**	11,603
Amortisation of land use rights (note 15)	**632**	621
Depreciation (note 15)	**82,840**	93,713
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	**11,082**	11,023
Fines by local authorities	**–**	412

Cost of inventories includes HK$226,502,000 (2012: HK$292,276,000) relating to staff costs, depreciation, and operating lease charges whose amounts are also included in the respective total amounts disclosed separately above for each type of expense.

8 FINANCE COSTS – NET

	2013 HK$'000	2012 HK$'000
Finance income		
Bank interest income	**(1,112)**	(887)
Finance costs		
Interest on bank borrowings	**19,750**	30,087
Interest on loan from a substantial shareholder	**–**	62
Finance charges on obligations under finance leases	**–**	263
Total borrowing costs	**19,750**	30,412
Less: borrowing costs capitalised as construction in progress (Note)	**(39)**	(93)
	19,711	30,319
Other finance charges	**3,372**	5,584
	23,083	35,903
Finance costs-net	**21,971**	35,016

Note: The borrowing costs have been capitalised at a rate of 4.2% (2012: 4.7%) per annum for construction in progress.

9 INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current income tax		
Provision for the year	10,506	11,987
Under-provision in respect of prior years	1,867	1,816
	12,373	13,803
Deferred income tax		
Origination and reversal of temporary differences (Note 27)	(2,684)	486
	9,689	14,289

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the years ended 31 July 2013 and 2012.

Prior to 1 January 2008, certain PRC subsidiaries of the Company were entitled to PRC income tax exemption for two years commencing from their respective first profit making year and a 50% relief from PRC income tax for the following three years.

Pursuant to the Corporate Income Tax ("CIT") Law of the People's Republic of China effective from 1 January 2008 onwards, the Group's PRC subsidiaries are subject to a standard PRC income tax rate of 25%, except for those granted with preferential tax rates prior to 1 January 2008 whose applicable tax rates would gradually increase to 25% towards the end of 2013, and a subsidiary which has been granted with a preferential rate of 15% from 1 January 2012 to 31 December 2014 whose applicable tax rates will resume as 25% thereafter.

Below are the preferential tax rates applicable to the Group's PRC subsidiaries which generate taxable income for the years ended 31 July 2013 and 2012.

Name of subsidiary	Period	Income tax rate
V.S. Industry (Zhuhai)	1 January 2011 to 31 December 2011	24.0%
Co., Ltd. ("VSI Zhuhai")	1 January 2012 onwards	25.0%
Qingdao GS Electronics Plastic	1 January 2011 to 31 December 2011	24.0%
Co., Ltd. ("Qingdao GS")	1 January 2012 to 31 December 2014	15.0%
	1 January 2015 onwards	25.0%
Qingdao GP Electronic Plastics	1 January 2011 to 31 December 2012	12.5%
Co., Ltd. ("Qingdao GP")	1 January 2013 onwards	25.0%

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

9 INCOME TAX EXPENSE (CONTINUED)

The tax charge on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follows:

	2013 HK$'000	2012 HK$'000
Loss before income tax	(28,508)	(59,407)
Tax calculated at the applicable domestic tax rate of respective companies	(2,182)	(10,776)
Tax effect of non-deductible expenses	814	3,982
Tax effect of tax losses not recognised	12,531	19,174
Tax effect on withholding tax of retained profits in the PRC subsidiaries	164	486
Recognition of previously unrecognised temporary differences	(3,210)	–
Under-provision in prior years	1,867	1,816
Tax effect of tax relief granted	(295)	(393)
	9,689	14,289

10 STAFF COSTS

	2013 HK$'000	2012 HK$'000
Salaries, wages and allowances	209,533	266,169
Contribution to retirement benefit schemes	14,662	18,529
Equity settled share-based payment expenses (note 26)	–	1,229
	224,195	285,927

Staff costs include directors' remuneration totalling HK$10,798,000 (2012: HK$11,770,000) (note 11).

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

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the MPF Scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. With effect from 1 June 2012, the maximum amount of monthly relevant income for MPF mandatory contributions was changed from HK$20,000 to HK$25,000.

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

11 DIRECTORS' REMUNERATION

The remuneration of directors for the year ended 31 July 2013 is set out below:

	Fees	Salaries	Discretionary bonuses (note (i))	Share-based payments (note (ii))	Retirement scheme contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Beh Kim Ling	–	5,460	–	–	–	5,460
Gan Sem Yam	–	2,058	–	–	–	2,058
Gan Chu Cheng	–	1,470	–	–	–	1,470
Zhang Pei Yu	–	915	75	–	–	990
	–	9,903	75	–	–	9,978
Non-executive director						
Gan Tiong Sia	180	–	–	–	–	180
Independent non-executive directors						
Diong Tai Pew	240	–	–	–	–	240
Lee Soo Gee	200	–	–	–	–	200
Tang Sim Cheow	200	–	–	–	–	200
	640	–	–	–	–	640
	820	9,903	75	–	–	10,798

11 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of directors for the year ended 31 July 2012 is set out below:

	Fees	Salaries	Discretionary bonuses (note (i))	Share-based payments (note (ii))	Retirement scheme contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Beh Kim Ling	–	5,460	–	122	–	5,582
Gan Sem Yam	–	2,058	–	122	–	2,180
Gan Chu Cheng	–	1,470	–	122	–	1,592
Zhang Pei Yu	–	856	74	122	–	1,052
Yeoh Ek Boon (note (iii))	–	686	–	–	–	686
	–	10,530	74	488	–	11,092
Non-executive director						
Gan Tiong Sia	180	–	–	60	–	240
Independent non-executive directors						
Diong Tai Pew	160	–	–	9	–	169
Lee Soo Gee	140	–	–	–	–	140
Tang Sim Cheow	120	–	–	9	–	129
	420	–	–	18	–	438
	600	10,530	74	566	–	11,770

Notes:

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

(ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme (note 26). The value of these share options was measured according to the Group's accounting policies for share-based payment transactions as set out in note 2.22.

(iii) Mr. Yeoh Ek Boon resigned as an executive director with effect from 30 November 2011.

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2012: three) are directors whose emoluments are disclosed in note 11. The aggregate emoluments in respect of the other two individuals (2012: two individuals) are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other emoluments	3,940	2,356
Discretionary bonuses	240	184
Share-based payments	–	44
	4,180	2,584

The emoluments of the two individuals (2012: two individuals) with the highest emoluments are within the following bands:

	Number of individuals	
	2013	2012
HK$1,000,001-HK$1,500,000	–	2
HK$1,500,001-HK$2,000,000	1	–
HK$2,500,001-HK$3,000,000	1	–

There were no amounts paid during the year ended 31 July 2013 (2012: Nil) to the directors or any of the five highest paid individuals as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

13 RESULT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated result attributable to equity shareholders of the Company includes a loss of HK$83,071,000 (2012: loss of HK$13,934,000) which has been dealt with in the financial statements of the Company. Such amount excludes the income recognised in respect of financial guarantee provided by the Company to its subsidiaries of HK$18,130,000 (2012: HK$11,699,000).

14 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$38,197,000 (2012: HK$73,785,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2013	2012
Loss attributable to equity holders of the Company (HK$'000)	**(38,197)**	(73,785)
Weighted average number of ordinary shares in issue ('000)	**1,256,781**	1,155,972
Basic loss per share (HK cents)	**(3.04)**	(6.38)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options and bonus warrants. For the years ended 31 July 2013 and 2012, dilutive earnings per share equal basic earnings per share as the exercise of the outstanding share options and bonus warrants would be anti-dilutive.

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS

(a) Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Land use rights HK$'000	Total HK$'000
Cost									
At 1 August 2011	353,341	18,525	1,081,164	62,356	28,976	2,211	1,546,573	30,837	1,577,410
Additions	3,049	906	21,467	2,972	2,225	527	31,146	–	31,146
Disposals	–	(1,768)	(173,092)	(1,250)	(5,130)	–	(181,240)	–	(181,240)
Transfer	143	–	588	–	–	(731)	–	–	–
Exchange adjustments	2,299	124	7,272	404	217	16	10,332	206	10,538
At 31 July 2012	358,832	17,787	937,399	64,482	26,288	2,023	1,406,811	31,043	1,437,854
At 1 August 2012	**358,832**	**17,787**	**937,399**	**64,482**	**26,288**	**2,023**	**1,406,811**	**31,043**	**1,437,854**
Additions	**–**	**1,830**	**8,532**	**1,056**	**625**	**39**	**12,082**	**–**	**12,082**
Disposals	**–**	**(198)**	**(62,312)**	**(825)**	**(1,050)**	**–**	**(64,385)**	**–**	**(64,385)**
Transfer	**1,257**	**–**	**–**	**848**	**–**	**(2,105)**	**–**	**–**	**–**
Exchange adjustments	**13,154**	**658**	**29,663**	**2,463**	**862**	**43**	**46,843**	**1,155**	**47,998**
At 31 July 2013	**373,243**	**20,077**	**913,282**	**68,024**	**26,725**	**–**	**1,401,351**	**32,198**	**1,433,549**

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS (CONTINUED)

(a) Group (Continued)

	Buildings	Leasehold improvements	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Land use rights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation and amortisation									
At 1 August 2011	62,106	8,389	631,582	40,754	21,278	–	764,109	5,282	769,391
Charge for the year	8,720	1,121	76,333	4,397	3,142	–	93,713	621	94,334
Written back on disposals	–	(1,587)	(120,896)	(853)	(4,591)	–	(127,927)	–	(127,927)
Exchange adjustments	352	52	3,684	249	149	–	4,486	33	4,519
At 31 July 2012	71,178	7,975	590,703	44,547	19,978	–	734,381	5,936	740,317
At 1 August 2012	71,178	7,975	590,703	44,547	19,978	–	734,381	5,936	740,317
Charge for the year	9,146	1,493	65,202	4,783	2,216	–	82,840	632	83,472
Written back on disposals	–	(163)	(49,834)	(699)	(945)	–	(51,641)	–	(51,641)
Exchange adjustments	2,686	276	17,722	1,686	712	–	23,082	235	23,317
At 31 July 2013	83,010	9,581	623,793	50,317	21,961	–	788,662	6,803	795,465
Net book value									
At 31 July 2013	290,233	10,496	289,489	17,707	4,764	–	612,689	25,395	638,084
At 31 July 2012	287,654	9,812	346,696	19,935	6,310	2,023	672,430	25,107	697,537

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS (CONTINUED)

The analysis of net book value of properties is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Outside Hong Kong		
– Medium-term leases	**315,628**	312,761
Representing:		
Buildings	**290,233**	287,654
Land use rights	**25,395**	25,107
	315,628	312,761

At 31 July 2013 and 2012, certain property, plant and equipment have been pledged as security for the Group's bank loans (note 25).

Depreciation incurred during the year is attributable to the following:

	2013	2012
	HK$'000	HK$'000
Cost of sales	**72,965**	85,065
Distribution costs	**592**	796
Administrative expenses	**9,283**	7,852
	82,840	93,713

For the purposes of impairment reviews, the recoverable amount of property, plant and equipment is determined based on value-in-use calculations of the respective cash generating units. The following cash generating units have been identified by management for impairment reviews:

- Plastic injection and moulding – Zhuhai operations
- Plastic injection and moulding – Qingdao operations
- Assembling of electronic products operations
- Mould design and fabrication operations

These calculations use cash flow projections based on the annual financial budgets approved by management. Cash flows beyond the annual period are extrapolated according to a constant-growth assumption covering a seven-year period which in aggregate represents the remaining useful lives of the related assets.

15 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS (CONTINUED)

The key assumptions used for value-in-use calculations are as follows:

	2013			
	Plastic injection and moulding – Zhuhai operations	**Plastic injection and moulding – Qingdao operations**	**Assembling of electronic products operations**	**Mould design and fabrication operations**
Gross margin	**11.8%**	**12.9%-13.2%**	**14.4%-14.6%**	**10.5%**
Discount rate (pre-tax)	**16%**	**16%**	**16%**	**16%**

The budgeted gross margin was determined by management based on past performance and its expectation for market development. The annual discount rates are before tax and reflect market assessments of the time value and the specific risks relating to the relevant segment. Management has considered the above assumptions and valuation and has also taken into account the business plan going forward. Except that a decrease in gross margin by exceeding 1%, or a decrease in sales by exceeding 7%, or a decrease in pre-tax discount rate by exceeding 1.3% could result in a shortfall of value-in-use against the carrying amount of machinery and equipment included in the mould design and fabrication operations, management believes that any reasonably foreseeable change in any of the other key assumptions above would not cause the carrying amount of machinery and equipment of other cash generating units to exceed the recoverable amount. Judgment is required to determine key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections.

16 GOODWILL

	Group HK$'000
At 31 July 2013 and 2012	2,172

The recoverable amount of goodwill is assessed by the directors annually and no impairment was considered necessary.

17 SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**385,447**	433,724

17 SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Details of the Group's subsidiaries at 31 July 2013 are set out below.

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
V.S. International Industry Limited	British Virgin Islands ("BVI")	Hong Kong	US$100	100%	100%	–	Investment holding
V.S. Investment Holdings Limited	BVI	N/A	HK$54,000,025	100%	100%	–	Dormant
V.S. Corporation (Hong Kong) Co. Limited ("VSHK")	Hong Kong	PRC	HK$75,000,002 (75,000,000 non-voting deferred shares of HK$1 each and 2 ordinary shares of HK$1 each (note (iv))	100%	–	100%	Trading of electronic products, parts and components
V.S. Technology Industry Park (Zhuhai) Co., Ltd. (note (i))	PRC	PRC	US$36,820,000	100%	–	100%	Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
Haivs Industry (Qingdao) Co., Ltd. (note (i))	PRC	PRC	RMB32,150,000	100%	–	100%	Dormant
Qingdao GS Electronics Plastic Co. Ltd. (note (i))	PRC	PRC	RMB73,980,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
Qingdao GP Electronic Plastics Co., Ltd. (note (ii))	PRC	PRC	US$11,000,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
Qingdao GP Precision Mold Co., Ltd. (note (i))	PRC	PRC	US$3,000,000	100%	–	100%	Dormant
VSA Holding Hong Kong Co., Limited ("VSA (HK)")	Hong Kong	PRC	HK$15,600,000	100%	–	100%	Investment holding

17 SUBSIDIARIES (CONTINUED)

(a) Investments in subsidiaries (Continued)

Details of the Group's subsidiaries at 31 July 2013 are set out below. (Continued)

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
VSA Electronics Technology (Zhuhai) Co., Ltd. (note (iii))	PRC	PRC	US$12,000,000	100%	–	100%	Assembling and selling of electronic products, parts and components
V.S. Industry (Zhuhai) Co., Ltd. (note (ii))	PRC	PRC	US$9,540,000	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Holding Vietnam Limited	BVI	Hong Kong	US$100	100%	100%	–	Investment holding
V.S. Industry Holding Limited	Hong Kong	Hong Kong	HK$100	100%	100%	–	Investment holding
V.S. Electronics (Zhuhai) Co., Ltd. (note (ii))	PRC	PRC	RMB7,250,000	100%	–	100%	Dormant
V.S. Industrial Product Design (Zhuhai) Co., Ltd. 珠海市威士茂工業產品設計有限公司 (note (v))	PRC	PRC	RMB1,000,000	100%	–	100%	Dormant

Notes:

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

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

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

(iv) In accordance with the articles of association of VSHK, any shareholders holding the 75,000,000 non-voting deferred shares are not entitled to any dividend or any participation in the profits or assets of VSHK and is also not entitled to vote at any general meeting.

(v) The English name of the company established in the PRC represent the best effort by the directors in translating its Chinese name as it does not have official English name.

(b) Amounts due from/to subsidiaries

The amounts are interest-free, unsecured and repayable on demand.

Notes to the Financial Statements

18 INTEREST IN AN ASSOCIATE

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**25,290**	27,049
Dividend received from an associate	**–**	(506)
Disposal of an associate	**–**	(663)
Share of losses	**(3,520)**	(590)
At end of the year	**21,770**	25,290

The particulars of the Group's associate as at 31 July 2013, which is an unlisted corporate entity, are as follows:

Name of company	Form of business structure	Place of incorporation	Place of operation	Particulars of capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiaries	Principal activity
VS Industry Vietnam Joint Stock Company ("VS Vietnam")	Limited liability company	Vietnam	Vietnam	Legal capital of US$10,863,000	23.93%	23.93%	Manufacturing and selling of plastic moulded products and parts

On 20 August 2011, the Group disposed of its entire equity interest in VS-Usotor (Zhuhai) Co., Ltd., an associate, to a third party at a consideration of HK$1.6 million. A gain on disposal of an associate of HK$937,000 was recognised in profit or loss.

The Group's share of the results of its associates, and their aggregated assets and liabilities, are as follows:

	Assets	**Liabilities**	**Revenue**	**Loss**
	HK$'000	HK$'000	HK$'000	HK$'000
2013	**104,069**	**(82,299)**	**121,399**	**(3,520)**
2012	105,481	(80,191)	125,045	(590)

19 INVENTORIES

Inventories included in the consolidated statement of financial position comprise:

	2013 HK$'000	2012 HK$'000
Raw materials	60,047	72,965
Work-in-progress	34,605	38,103
Finished goods	49,295	52,292
Inventories – gross	143,947	163,360
Provision for impairment	(19,803)	(19,535)
Inventories – net	124,144	143,285

Movements of the Group's provision for impairment of inventories are as follows:

	2013 HK$'000	2012 HK$'000
Beginning of the year	19,535	7,957
(Write-back of provision)/provision for the year	(441)	13,486
Write-off against provision	–	(1,883)
Exchange difference	709	(25)
End of the year	19,803	19,535

Notes to the Financial Statements

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**198,192**	241,817	**–**	–
Bills receivable	**66,534**	73,063	**–**	–
Trade and bills receivables – gross	**264,726**	314,880	**–**	–
Less: Provision for impairment	**(7,843)**	(7,771)	**–**	–
Trade and bills receivables – net	**256,883**	307,109	**–**	–
Other receivables, prepayments and deposits	**45,723**	53,471	**26**	1
	302,606	360,580	**26**	1
Less: Prepayments (non-current)	**(577)**	–	**–**	–
Total trade and other receivables (current)	**302,029**	360,580	**26**	1

As at 31 July 2013, none of the Group's bills receivable are pledged for banking facilities. As at 31 July 2012, bills receivable amounting to HK$5,942,000 have been pledged to banks as security in connection with certain banking facilities (note 25).

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the Group's trade and bills receivables is as follows:

	2013 HK$'000	2012 HK$'000
Neither past due nor impaired	**228,119**	269,840
Past due for:		
Less than 1 month	**17,617**	26,185
1 to 3 months	**7,309**	9,682
More than 3 months	**11,681**	9,173
	36,607	45,040
	264,726	314,880

As at 31 July 2013, trade receivables of HK$28,764,000 (2012: HK$37,269,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 31 July 2013, trade receivables of HK$7,843,000 (2012: HK$7,771,000) were impaired and fully provided for. Movements of the Group's provision for impairment of trade receivables are as follows:

	2013 HK$'000	2012 HK$'000
At 1 August	**7,771**	7,729
(Write-back of provision)/provision for impairment (note 7)	**(94)**	42
Bad debts written off	**(99)**	–
Exchange differences	**265**	–
At 31 July	**7,843**	7,771

The other classes within trade and other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 BANK DEPOSITS

	Group	
	2013	2012
	HK$'000	HK$'000
Time deposits with maturities of over three months but within one year	**50**	6,489
Pledged deposits with banks	**22,514**	32,729
	22,564	39,218

Certain deposits are pledged to banks as security for certain banking facilities, including trade finance, overdrafts and bank loans (note 25).

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**81,285**	90,848	**481**	56

Cash, cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

	Group	
	2013	2012
	HK$'000	HK$'000
Cash and cash equivalents	**81,285**	90,848
Bank overdrafts (note 25)	**(23,980)**	(23,258)
Cash, cash equivalents and bank overdrafts	**57,305**	67,590

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2013 HK$'000	2012 HK$'000
Measured at fair value and included in the consolidated statement of financial position as current assets		
Forward foreign exchange contracts	5,826	–
Measured at fair value and included in the consolidated statement of financial position as current liabilities		
Forward foreign exchange contracts	–	6,412

As at 31 July 2013, the Group has certain outstanding forward foreign exchange forward contacts with long positions in RMB at notional principal amounts of RMB232,266,000, being equivalent to HK$293,671,000 (2012: RMB356,659,000, being equivalent to HK$434,684,000), and short positions in US$ at notional principal amounts of US$36,800,000, being equivalent to HK$285,419,000 (2012: US$56,400,000, being equivalent to HK$437,309,000).

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Trade payables	220,939	225,680	–	–
Bills payable	9,419	15,261	–	–
Trade and bills payables (note (a))	230,358	240,941	–	–
Deferred income (note (b))	–	–	5,725	18,130
Payables for the purchase of property, plant and equipment (note (c))	9,861	22,551	–	–
Accrued expenses and other payables	94,248	106,571	1,318	300
	334,467	370,063	7,043	18,430
Less: non-current portion of payables for the purchases of machinery and equipment	–	(11,081)	–	–
Current portion of trade and other payables	334,467	358,982	7,043	18,430

24 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The ageing analysis of trade and bills payables is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Due within 1 month or on demand	**142,568**	160,937
Due after 1 month but within 3 months	**67,716**	59,940
Due after 3 months but within 6 months	**20,074**	20,064
	230,358	240,941

(b) Deferred income

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

	Company	
	2013	2012
	HK$'000	HK$'000
Financial guarantees issued	**5,725**	18,130
To be amortised within one year	**(5,725)**	(18,130)
To be amortised after one year	**–**	–

24 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Payables for the purchase of property, plant and equipment

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

	Group	
	2013	2012
	HK$'000	HK$'000
Current		
Within 1 year or on demand	**9,861**	11,470
Non-current		
After 1 year but within 2 years	**–**	11,081
	9,861	22,551

As at 31 July 2013, the amounts due to suppliers in respect of acquisition of property, plant and equipment are interest free and unsecured. As at 31 July 2012, such payables of HK$8,734,000 recorded under current portion are repayable under instalment terms, unsecured and bear interest at 4.3% per annum. The remaining amounts are interest free and unsecured.

25 BORROWINGS

	Group	
	2013	2012
	HK$'000	HK$'000
Current		
Short-term bank borrowings, secured	**63,219**	82,764
Short-term bank borrowings, unsecured	**38,179**	108,017
Bank overdrafts, secured	**23,980**	23,258
Trust receipts bank loans, secured	**57,479**	71,127
Portion of bank borrowings repayable within one year, secured	**31,022**	31,014
	213,879	316,180
Non-current		
Bank borrowings repayable after one year but within two years, secured	**31,022**	31,014
Bank borrowings repayable after two years but within five years, secured	**195,148**	226,111
	226,170	257,125
Total borrowings	**440,049**	573,305

Notes to the Financial Statements

25 BORROWINGS (CONTINUED)

As at 31 July 2013 and 2012, the entire amounts of bank overdrafts and trust receipts bank loans are related to banking facilities containing a repayment on demand clause.

The exposure of the Group's borrowings to interest rate changes and the weighted average effective interest rates at the date of financial position are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
– at floating rates	**345,608**	429,782

	2013	2012
	HK$'000	HK$'000
Trust receipt bank loans	**1.8%**	3.5%
Bank overdrafts	**6.5%**	6.9%
Other bank borrowings	**3.3%**	3.6%

As at 31 July 2013, the Group's borrowings carried at fixed rates of HK$94,441,000 (2012: HK$143,523,000) bear interest rates ranging from 3.8% to 7.2% (2012: 6.0% to 7.6%).

The fair value of the Group's borrowings approximates its carrying amounts.

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bills receivable (note 20)	**–**	5,942	**–**	–
Bank deposits (note 21)	**22,514**	32,729	**–**	–
Buildings (note 15)	**284,663**	281,946	**–**	–
Plant and machinery (note 15)	**56,023**	69,143	**–**	–
Land use rights (note 15)	**25,395**	25,107	**–**	–
	388,595	414,867	**–**	–

The above-mentioned secured banking facilities, including trade finance, overdrafts and bank loans, totalling HK$513,488,000 (2012: HK$557,612,000), were utilised to the extent of HK$401,870,000 (2012: HK$465,288,000) at 31 July 2013. The Group's banking facilities also included certain unsecured banking facilities, totalling HK$211,152,000 (2012: HK$226,691,000), which were utilised to the extent of HK$38,179,000 (2012: HK$108,017,000) at 31 July 2013.

26 SHARE OPTION SCHEME

Pursuant to the resolution duly passed by its shareholders on 20 January 2002, the Company adopted its previous share option scheme ("Former Share Option Scheme") whereby the directors of the Company were authorised, at their discretion, to invite eligible participants, including directors of any company of the Group, to subscribe for shares in the Company. The Former Share Option Scheme expired on 19 January 2012.

Pursuant to the resolution duly passed at the extraordinary general meeting of the Company ("EGM") held on 21 September 2012, the Company adopted a new share option scheme ("New Share Option Scheme"), The total number of ordinary shares which could be allotted and issued upon exercise of all options granted or to be granted under the New Share Option Scheme must not in aggregate exceed 10 percent of the shares in issue as at the date of the EGM. As at the date of the EGM, there were 1,156,034,666 shares of the Company in issue. Accordingly, the initial mandate was 115,603,466 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 Former Share Option Scheme. The number of share options granted was adjusted to 92,322,000 as a result of the rights issue completed on 16 March 2011.

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 HK$0.18 ("Exercise Price") per share. The Exercise Price per share was adjusted to HK$0.169 as a result of the rights issue completed on 16 March 2011 (note 28(i)). The share options have a term of three years commencing 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 HK$6,736,000 was measured at grant date using the binomial option pricing model (note 26(c)). The total estimated fair value of the Options is spread over the vesting period, taking into account the probability that the Options will vest. During the year ended 31 July 2013, no employee costs in respect of the Options were recognised as all the Options had been vested by 31 July 2012. As at 31 July 2013, all the Options granted were either lapsed or had been exercised. During the year ended 31 July 2012, an amount of HK$1,229,000 was recognised as an employee cost with a corresponding increase in a capital reserve within equity.

26 SHARE OPTION SCHEME (CONTINUED)

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

	2013		2012	
	Weighted average exercise price HK$	Number of Options '000	Weighted average exercise price HK$	Number of Options '000
Outstanding at the beginning of the year	0.169	65,063	0.169	85,707
Exercised during the year	0.169	(63,891)	0.169	–
Lapsed/cancelled during the year	0.169	(1,172)	0.169	(20,644)
Outstanding at the end of the year	N/A	–	0.169	65,063
Exercisable at the end of the year	N/A	–	0.169	39,088

During the year ended 31 July 2013, 1,172,000 share options were lapsed as certain employees ceased to be employees of the Group for reasons other than death, ill-health or retirement. During the year ended 31 July 2012, 20,644,000 share options were lapsed as a director and certain employees ceased to be employees of the Group for reasons other than death, ill-health or retirement.

The Options outstanding as at 31 July 2012 had an exercise price of HK$0.169 and a weighted average remaining contracted life of one year. As at 31 July 2013, the Group does not have any outstanding Options.

(b) Terms of unexpired and unexercised share options at the end of the reporting period

	2013		2012	
	Exercise price HK$	Number of options HK$'000	Exercise price HK$	Number of options HK$'000
Exercisable period				
1 August 2010 to 31 July 2013	0.169	–	0.169	19,544
1 August 2011 to 31 July 2013	0.169	–	0.169	19,544
1 August 2012 to 31 July 2013	0.169	–	0.169	25,975
		–		65,063

Each share option entitles the holder to subscribe for one ordinary share of the Company.

26 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)	HK$6,736,000
Share price	HK$0.176
Exercise price	HK$0.169
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 modeling 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 have materially affected 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.

27 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Deferred tax assets:		
– to be recovered after more than 12 months	**2,846**	–
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(2,393)**	(2,231)
Deferred tax assets/(liabilities) – net	**453**	(2,231)

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

	Group		
	Deferred tax on the impairment loss of trade receivables and inventories	**Withholding tax on future dividend income from PRC subsidiaries**	**Total**
	HK$'000	HK$'000	HK$'000
Deferred tax arising from:			
At 1 August 2011	–	(1,745)	(1,745)
Charged to profit or loss (Note 9)	–	(486)	(486)
At 31 July 2012	–	(2,231)	(2,231)
At 1 August 2012	–	(2,231)	(2,231)
Credited/(charged) to profit or loss (Note 9)	2,846	(162)	2,684
At 31 July 2013	2,846	(2,393)	453

The Group did not recognise deferred income tax assets of HK$61,633,000 (2012: HK$50,573,000) in respect of losses amounting to HK$249,272,000 (2012: HK$202,292,000) that can be carried forward against future taxable income, which will expire between 2014 to 2018 (2012: 2013 to 2017).

28 SHARE CAPITAL AND SHARE PREMIUM

	Group and Company					
	2013			2012		
	Number of shares ('000)	**Ordinary shares HK$'000**	**Share premium HK$'000**	Number of shares ('000)	Ordinary shares HK$'000	Share premium HK$'000
Authorised:						
Ordinary shares of HK$0.05 each	**4,000,000**	**200,000**	**–**	4,000,000	200,000	–
Issued and fully paid:						
At beginning of year	**1,156,035**	**57,801**	**90,210**	1,155,968	57,798	90,205
Conversion of bonus warrants (note (i))	**7,308**	**365**	**512**	67	3	5
Issuance of share upon exercising of share options (note 26(a))	**63,891**	**3,196**	**12,632**	–	–	–
Issue of new shares (note (ii))	**115,000**	**5,750**	**13,424**	–	–	–
At end of year	**1,342,234**	**67,112**	**116,778**	1,156,035	57,801	90,210

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.

Notes:

(i) Conversion of bonus warrants to ordinary shares

On 16 March 2011, 288,992,000 ordinary shares of the Company were issued at the subscription price of HK$0.12 each by way of rights issue. Upon completion of and in connection with the rights issue, an aggregate of 144,496,000 bonus warrants were issued to the subscribers on the basis of one bonus warrant for every two rights shares taken up, whereby options were issued to the subscribers to subscribe for ordinary shares at an exercise price of HK$0.12 per share for the period from 16 March 2011 to 15 March 2014.

Approximately 7,308,000 and 67,000 bonus warrants were exercised and converted into ordinary shares during the year ended 31 July 2013 and 2012 respectively. An amount equivalent to par value of the shares issued of HK$365,000 and HK$3,000 was recognised as share capital for the year ended 31 July 2013 and 2012 respectively. The premium paid on the conversion of the shares was credited to share premium. The number of outstanding bonus warrant as at 31 July 2013 is 137,121,717 (As at 31 July 2012: 144,429,334).

(ii) During the year, 115,000,000 new shares were issued at the subscription price of HK$0.168 each to three individual subscribers. The gross proceeds received by the Company were HK$19,300,000, among which HK$5,750,000 was credited to share capital account and the balance of HK$13,424,000 (net of professional fee of HK$146,000) was credited to the share premium account.

Notes to the Financial Statements

29 RESERVES

Group

	Note	Capital reserves HK$'000	Foreign exchange translation reserve HK$'000	Statutory reserve fund HK$'000 (note (i))	Employee share–based capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 August 2011		9,584	158,537	44,015	5,507	102,930	320,573
Loss and comprehensive loss for the year		–	–	–	–	(73,785)	(73,785)
Other comprehensive income:							
Exchange differences		–	4,781	–	–	–	4,781
Total comprehensive income/(loss)		–	4,781	–	–	(73,785)	(69,004)
Transfer from retained profits		–	–	1,601	–	(1,601)	–
Equity settled share-based transactions	26	–	–	–	1,229	–	1,229
Share options lapsed during the year	26(a)	–	–	–	(1,626)	1,626	–
Acquisition of non-controlling interest	31	–	–	–	–	258	258
Balance at 31 July 2012 and 1 August 2012		9,584	163,318	45,616	5,110	29,428	253,056
Loss and comprehensive loss for the year		–	–	–	–	(38,197)	(38,197)
Other comprehensive income:							
Exchange differences		–	23,177	–	–	–	23,177
Total comprehensive income/(loss)		–	23,177	–	–	(38,197)	(15,020)
Deregistration of a subsidiary		–	(4,584)	(836)	–	5,420	–
Transfer from retained profits		–	–	357	–	(357)	–
Issuance of shares upon the exercising of share options	26	–	–	–	(5,030)	–	(5,030)
Share options lapsed during the year	26(a)	–	–	–	(80)	80	–
Balance at 31 July 2013		9,584	181,911	45,137	–	(3,626)	233,006

29 RESERVES (CONTINUED)

Company

	Contributed surplus HK$'000 (note (ii))	Employee share-based capital reserve HK$'000 (note (iii))	Retained profits HK$'000	Total HK$'000
At 1 August 2011	138,706	5,507	33,395	177,608
Loss for the year	–	–	(2,235)	(2,235)
Equity settled share-based transactions (note 26)	–	1,229	–	1,229
Share options lapsed during the year	–	(1,626)	1,626	–
Balance at 31 July 2012 and 1 August 2012	138,706	5,110	32,786	176,602
Loss for the year	–	–	(64,941)	(64,941)
Issuance of shares upon the exercising of share options	–	(5,030)	–	(5,030)
Share options lapsed during the year	–	(80)	80	–
Balance at 31 July 2013	138,706	–	(32,075)	106,631

29 RESERVES (CONTINUED)

Notes:

(i) Statutory reserve fund

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

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

(ii) Share premium and contributed surplus

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

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

(iii) Employee share-based capital reserve

Employee share-based capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 2.22.

30 DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 July 2013 and 2012.

31 ACQUISITION OF NON-CONTROLLING INTEREST

In February 2012, the Group acquired an additional 19% equity interest in VSA (HK) for a consideration of HK$2,461,000. Upon completion of the acquisition, the Group increased its equity interest in VSA (HK) from 81% to 100%.

The following table summarises the effect of changes in the Group's equity interest in VSA (HK) for the year ended 31 July 2012:

	HK$'000
Equity interest in VSA (HK) at beginning of the year	11,210
Effect of increase in VSA (HK)'s equity interest	2,719
Share of comprehensive income during the year ended 31 July 2012	370
Equity interest in VSA (HK) at the end of the year	14,299

32 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 July 2013 not provided for in the financial statements are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted for	**312**	–

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**5,663**	5,273
Two to five years	**151**	–
	5,814	5,273

As at 31 July 2013 and 2012, the Company does not have any significant commitment.

33 MATERIAL RELATED PARTY TRANSACTIONS

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

	Group	
	2013	2012
	HK$'000	HK$'000
Sales to a substantial shareholder	**5,089**	2,373
Sales to an associate	**1,259**	12,815
Sale to a company controlled by the family member of a director	**157**	–
	6,505	15,188
Sales of plant and equipment to a subsidiary of a substantial shareholder	**–**	9,920
Sales of plant and equipment to a company controlled by the family member of a director	**–**	409
	–	10,329
Interest paid and payable to a substantial shareholder (note 8)	**–**	62
Operating lease charges paid and payable to a company controlled by a director	**9,224**	9,678
Purchase of fabricated moulds and certain moulded products and parts from a company controlled by the family member of a director	**969**	659
Management fee paid and payable to a company controlled by a director	**666**	699
Sub-contracting fee paid and payable to a company controlled by the family member of a director	**3,262**	2,645
Repair and maintenance services paid and payable to a company controlled by the family member of a director	**772**	951

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from related parties were detailed as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Amount due from a company controlled by a director	**1,894**	2,816
Amount due from an associate	**236**	1,429
Amount due from the ultimate holding company	**3,000**	–
Amount due from a substantial shareholder	**–**	1,729
Amount due from a company controlled by the family member of a director	**252**	–
	5,382	5,974

Amounts due from related parties are interest free, unsecured and repayable on demand.

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

	2013	2012
	HK$'000	HK$'000
Amounts due to directors	**205**	300
Amount due to a company controlled by a director	**1,155**	941
Amount due to a company controlled by the family member of a director	**3,090**	751
	4,450	1,992

The amounts due to related parties are interest free, unsecured and repayable on demand.

(d) Key management personnel remuneration

The Group has not identified any person, other than the directors of the Company, having the authority and responsibility for planning, directing and controlling the activities of the Group. Details of the remuneration of the directors of the Company are set out in note 11.

Notes to the Financial Statements

34 CASH GENERATED FROM OPERATIONS

	Note	2013 HK$'000	2012 HK$'000
Loss before income tax		**(28,508)**	(59,407)
Adjustments for:			
– Finance costs	8	**23,083**	35,903
– Interest income	8	**(1,112)**	(887)
– Fair value of derivative financial instruments		**(12,238)**	7,803
– Amortisation of land use rights	7	**632**	621
– Depreciation	7	**82,840**	93,713
– Share of losses from associates		**3,520**	590
– Net loss on disposal of property, plant and equipment		**195**	25,496
– Equity settled share-based payment expenses	10	**–**	1,229
Changes in working capital:		**68,412**	105,061
Decrease in inventories		**19,681**	102,825
Decrease in trade and other receivables		**59,980**	83,670
Amounts due from related companies		**592**	11,653
Amounts due to related companies		**2,458**	(1,882)
Decrease in trade and other payables		**(25,559)**	(111,038)
Cash generated from operations		**125,564**	190,289

Loss on disposal of property, plant and equipment is arrived at as follows:

	2013 HK$'000	2012 HK$'000
Net book amount disposed	**12,744**	53,313
Proceeds received	**(8,724)**	(27,817)
Proceeds included in other receivables	**(3,825)**	–
Loss on disposals	**195**	25,496

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Beh Kim Ling *(Chairman)*
Gan Sem Yam *(Managing Director)*
Gan Chu Cheng *(Finance Director)*
Zhang Pei Yu

Non-executive Director
Gan Tiong Sia

Independent non-executive Directors
Diong Tai Pew
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)
Diong Tai Pew
Beh Kim Ling

NOMINATION COMMITTEE OF THE BOARD

Tang Sim Cheow
(Chairman of the Nomination Committee)
Diong Tai Pew
Gan Chu Cheng

COMPANY SECRETARY

Ng Ting On, Polly

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Industrial & Commercial Bank of China Ltd.
Agricultural Bank of China
China Resources Bank of Zhuhai

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V.S. Investment Holdings Limited
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V.S. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
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ASSOCIATED COMPANY

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Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 241 3634 300
Fax No: (84) 241 3634 308

Group Properties

MAJOR PROPERTIES HELD FOR OWN USE

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

Five Years Summary

(Expressed in Hong Kong dollars)

		2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Results						
Turnover		**1,220,632**	1,513,099	1,629,534	1,496,888	1,198,829
(Loss)/profit from operations		**(3,017)**	(23,801)	(3,002)	19,121	(17,857)
Finance costs – net		**(21,971)**	(35,016)	(39,806)	(34,158)	(47,296)
Share of profits less losses of associates		**(3,520)**	(590)	3,778	4,735	844
Loss before taxation		**(28,508)**	(59,407)	(39,030)	(10,302)	(64,309)
Income tax expense		**(9,689)**	(14,289)	(22,128)	(3,619)	(4,558)
Loss for the year		**(38,197)**	(73,696)	(61,158)	(13,921)	(68,867)
Attributable to:						
Equity shareholders of the Company		**(38,197)**	(73,785)	(61,047)	(14,315)	(68,685)
Non-controlling interests		**–**	89	(111)	394	(182)
Loss for the year		**(38,197)**	(73,696)	(61,158)	(13,921)	(68,867)
Assets and liabilities						
Non-current assets		**665,449**	724,999	843,840	898,825	912,936
Current assets		**541,230**	640,445	884,525	850,702	603,095
Total assets		**1,206,679**	1,365,444	1,728,365	1,749,527	1,516,031
Current liabilities		**(561,220)**	(693,940)	(1,000,297)	(926,154)	(702,458)
Non-current liabilities		**(228,563)**	(270,437)	(256,862)	(365,754)	(349,252)
NET ASSETS		**416,896**	401,067	471,206	457,619	464,321
Share capital		**67,112**	57,801	57,798	43,349	43,349
Reserves		**349,784**	343,266	410,778	411,529	417,391
Non-controlling interests		**–**	–	2,630	2,741	3,581
TOTAL EQUITY		**416,896**	401,067	471,206	457,619	464,321
Loss per share						
Basic and diluted	Note	**(3.04) cents**	(6.38) cents	(6.22) cents	(1.65) cents	(7.92) cents

Note:

There were no potential dilutive ordinary shares in existence during the years ended 31 July 2009 and 2010. During the year ended 31 July 2011, 2012 and 2013 the effects of share options and bonus warrants are anti-dilutive.