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 2007/08

Forward thinking

Contents

Corporate Profile

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

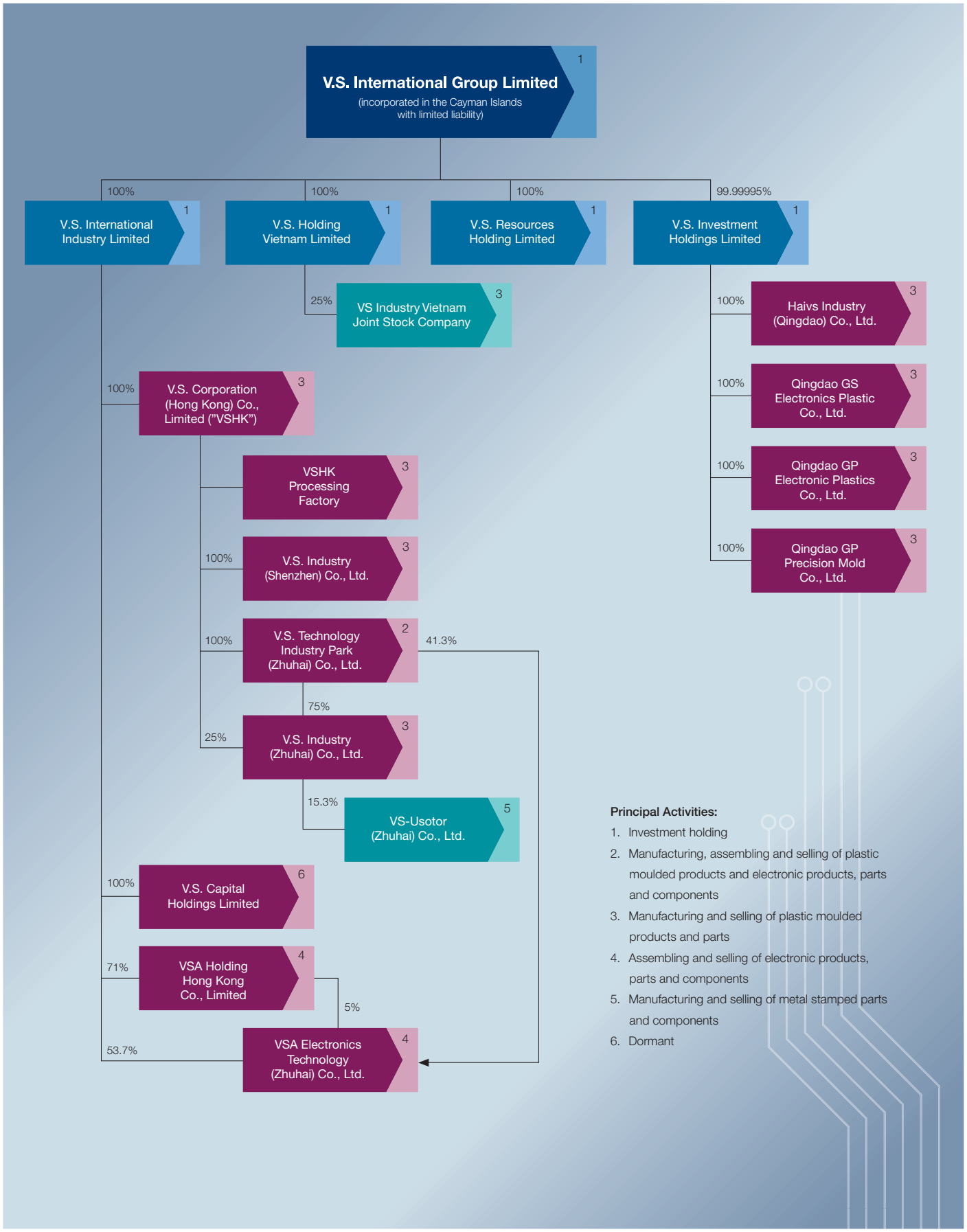
The Group commenced its business in 1997 in Shenzhen, the People's Republic of China ("PRC") and was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in February 2002.

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

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

Corporate Structure

As of 23 September 2008



Principal Activities:

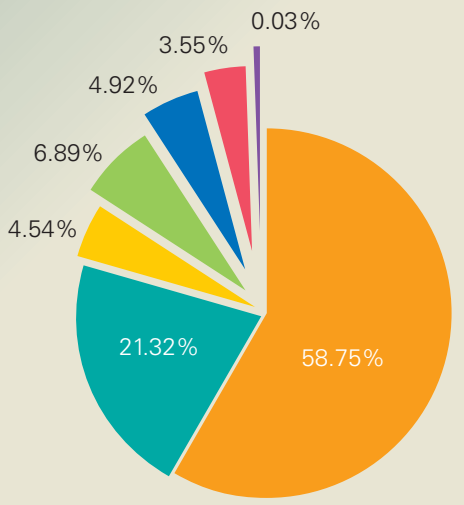
1. Investment holding
2. Manufacturing, assembling and selling of plastic moulded products and electronic products, parts and components
3. Manufacturing and selling of plastic moulded products and parts
4. Assembling and selling of electronic products, parts and components
5. Manufacturing and selling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

4 Financial Highlights

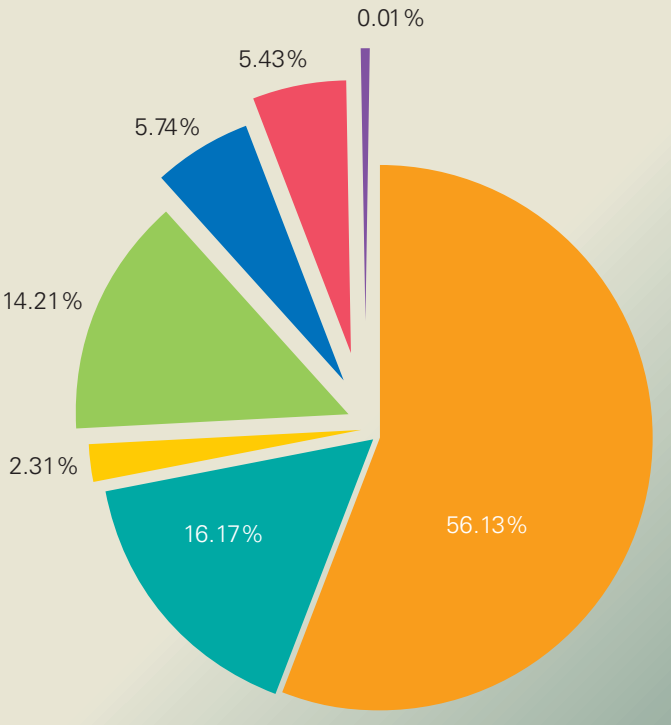
Key Financial Data	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total equity	534,845	460,431	379,524	329,804	298,007
Total assets	1,553,100	1,500,463	1,447,670	1,466,387	1,432,292
Net borrowings	524,010	558,696	551,511	567,484	549,886
Capital expenditure	63,698	100,629	86,841	82,824	248,617
Gearing ratio (net)(%)	33.74%	37.23%	38.10%	38.70%	38.39%
Finance costs over turnover (%)	3.47%	3.68%	3.81%	3.72%	3.91%
Inventory turnover days	48	54	50	64	67
Trade and bills receivable turnover days	74	62	63	66	77
Trade and bills payable turnover days	68	60	60	73	73

Sales Breakdown by Geographical Locations

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

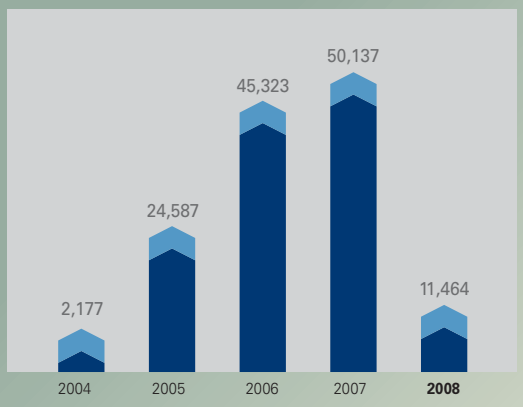


2007



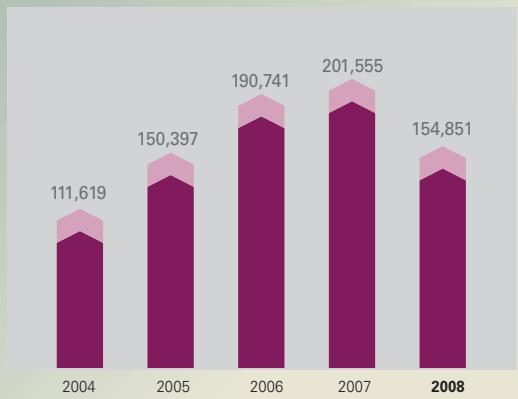
2008

Profit Attributable to Equity Shareholders (HK$'000)



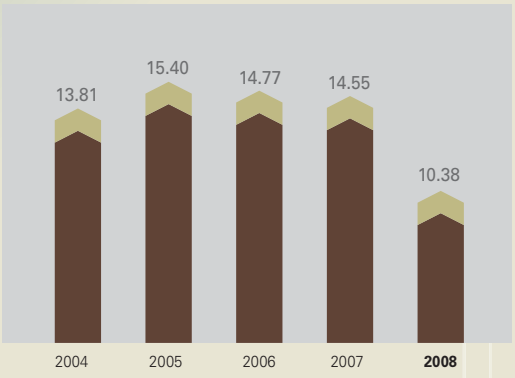
EBITDA (HK$'000)

(Earnings before interest, tax, depreciation and amortisation)



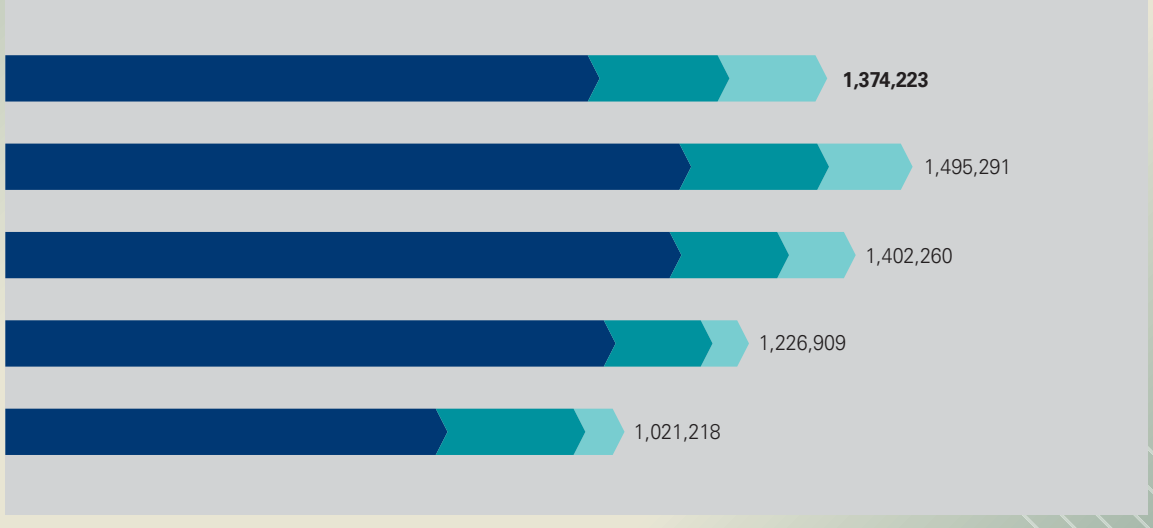
Net Tangible Assets Per Share (HK cents)

Gross Profit Margin (%)



Sales Breakdown by Business Segments

(HK$'000)



(HK$'000)	**2008**	2007	2006	2005	2004
Plastic injection and moulding	**981,289**	1,131,878	1,114,554	1,005,676	731,046
Assembling of electronic products	**211,949**	225,506	177,191	161,069	224,956
Mould design and fabrication	**180,985**	137,907	110,515	60,164	65,216

Chairman's Statement

Dear Shareholders,

Following a year in which we have continued to demonstrate the strength of our business model and to create a greater value for shareholders, I am very pleased to present, on behalf of our board ("Board") of directors ("Directors") of the Company, the Company's annual report together with consolidated financial statements of the Group for the financial year ended 31 July 2008.

BUSINESS REVIEW

The financial year under review saw the Group's core business continued to be injection, assembly of electronic products and mould design and fabrication which remained profitable. The Group continues to invest in tools and machinery as well as provide intensive training to engineers and operators who produce product quality and efficiency on the production line.

The Group pursues a policy of geographic diversification in its customer base and is pleased with the growth in clients from Europe, United States of America and Northern Asia. With an ever growing new product and greater product mix, the Group has to broaden its product scope and create additional business profit centres.

While the past financial year has been extraordinarily challenging due to the upheavals of the oil price and uncertainty in the world economy, our confidence in our business model and its ability to increase earnings throughout normal turns of economic cycles underscores our approach to building a long-term strategy.

During the financial year under review, the Group has made positive progress against its strategic objectives despite challenging market conditions. Among these are rising operational costs, higher borrowing costs, continuing appreciation of the Renminbi and uplift of certain tax incentive in the PRC. This has led to some customers shifting their business to plants in cheaper producing Asian countries, or new growth regions in the PRC with lower operating costs.

This chain of events has been keenly felt by our factories in Zhuhai, Shenzhen and Qingdao of the PRC. While our core business segments have remained profitable, the reductions in sales orders, however, have proven to be hardships to overcome. Among the difficulties faced in the past year has been the loss of certain customers moving their business operations to regions with lower overheads.

Additionally some slow downs in order placements by customers are the result of economic conditions in the importing country. These market conditions are creating a conservative purchasing attitude and customer emphasis on lesser inventory levels. Although many overseas markets are beginning to show increased confidence, we expect the situation will not regularise itself in the immediate future.

Important features of the year are retention of key customers. Retaining and enlarging these relationships and adding new customers are a key part of our long term strategy. This will be achieved by providing high quality product and customer services that cater to customers' needs at the right price. During the financial year under review, the Group has seized some sizeable new customers for mould design, injection and assembly of electronic products.

One of our long term strategies therefore has been to focus on competitive edge and business opportunities offering higher profitability in the long run. The Company plans to reinvest in automation to increase productivity and target volume orders. The Group also targets certain level of new client growth yearly to ensure that new business won by the Group will be at levels of profitability which is considered acceptable.

FINANCIAL HIGHLIGHTS

The Group's turnover for the financial year under review was achieved at HK$1,374.22 million compared with HK$1,495.29 million in the previous financial year, representing a decline in sales of 8.10%. The Group's gross profit margin also registered a drop from 14.55% to 10.38%, while the Group's gross profit decreased from HK$217.54 million to HK$142.66 million during the financial year under review. Despite the challenging conditions, the Group managed to generate a Group profit attributable to shareholders of HK$11.46 million as compare to HK$50.14 million in the previous year. As a result, the Group also recorded basic earnings per share of HK1.32 cents as compared to HK5.87 cents in the previous year.

During the financial year under review, the associate company in Vietnam has contributed profit of HK$2.00 million to the Group in view of the influx of many multi-nationals to that area and the rising manufacturing activities in Vietnam. This trend is expected to continue further as there are a number of sizeable multi-national customer electronics present together with to the lower business cost environment, and certain tax incentives granted by the local authority in Vietnam.

PROPOSED DIVIDENDS

No interim dividend was declared for the six months ended 31 January 2008. The Directors do not recommend the payment of a final dividend for the financial year under review (2007: HK1.0 cents per ordinary Share).

CORPORATE DEVELOPMENT

The Group is progressing towards one-stop services to assist our clients with all aspects of their order requirements, which includes mould design and fabrication, plastic injection and assembly of product. It is easier to capture new customers who prefer our one-stop services rather than a variety of separate individual services. The one-stop services allow synergy, softening the impact felt from increasing operating costs. During the financial year under review, the Group has set up a new wholly owned company to handle moulding business in Qingdao, the PRC.

On the other hand, the Group has also set up a wholly owned company for the purpose of mining investment in Heilongjiang province of the PRC, an area rich in mineral resources, in order to diversify the Group's assets and income base which is susceptible to unpredictable consumer market shifts or spikes in operational costs.

Because of continuous losses incurred by associated companies, Wako VS Nano Technologies (Hong Kong) Co., Limited and Wako VS Nano Technologies (Zhuhai) Co., Ltd., the Group has disposed of all its shareholdings and made a gain on disposal of HK$5.29 million during the financial year under review.

In view of the expiry of the employee share option scheme in previous year, the Group has granted employee share option of 85,500,000 shares and resulting a recognition of expenses of HK$6.56 million during the financial year under review.

FUTURE PROSPECTS AND CHALLENGES

Runaway world fuel prices resulting in higher machinery running costs and transportation expenses will contribute to an inflationary spiral that poses a downturn to world economies. This affects raw material prices and chemical products costs which are expected to rise further in the coming year. Moreover, higher fuel costs mean higher transportation costs at each step of the wholesale, production, distribution and retail process. Other operating costs that are expected to increase are labour costs and the uplift of certain taxation advantages to the Group.

In following our promotion and marketing strategy, the Group has embarked on combination of expanding its profitable core businesses, seeking new investment opportunities and widening its international client base, as well the continual introduction of wide-ranging integrated manufacturing services. The Group will also focus its efforts on winning contracts to manufacture complete products and undertake turnkey projects rather than producing product subsections and product components.

The Group is mindful of the effect of continuous Renminbi ("RMB") appreciation against US Dollars. During the financial year under review, the Group has engaged certain financial instruments and foreign currency borrowings that were closely matched with foreign currency requirements. This has softened the foreign currency exposure of the Group and will benefit the Group in the long run.

The Group also takes seriously its obligations to all our stakeholders as the management believes that the delivery of a competitive advantage and long term strategy requires good relationships and support from stakeholders from time to time. With all the above efforts and support from stakeholders, the management remains cautious but positive towards the Group's performance as well as the economic outlook in the long run.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board and the management teams, I would like to take this opportunity to express my sincere thanks and appreciation to our shareholders, valued customers, suppliers, all employees of the Group, business associates, financial institutions, various government authorities and agencies for their unwavering support and cooperation for yet another successful 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

Global economies are experiencing a downturn in overall performance. Overseas markets, particularly European countries and the United States, have curtailed their usual orders as a hedge against an economic downturn. In view of this economic pattern, the consumers are spending much more conservatively. This trend has affected the Group's turnover in terms of reduced order quantities, and intense competition for market share has made it more challenging to maintain optimum capacity. Furthermore, the continuous appreciation of the RMB has reduced the projected turnover value from orders that are priced in foreign currencies.

The general decline in the global economic situation has also been aggravated by rising costs in raw materials, minimum wages and crude oil. These increased production costs and other operating costs have been at record highs in the industry during the financial year under review. In view of this, many companies in the industry are adjusting to the changes and maintaining growth through reinvestment in automation and reduced labour cost. Despite the rising costs, the PRC still has advantages over other Asian countries in its supply of semi-skilled labour and infrastructure.

FINANCIAL REVIEW

Turnover, Gross Profit and Segment Results

Despite this challenging year, the Group achieved a turnover of HK$1,374.22 million as compared with HK$1,495.29 million in the previous year, indicating a decline in sales of 8.10%. On the other hand, the gross profit and net profit registered was HK$142.66 million and HK$11.14 million respectively. This represented a decrease of HK$74.88 million and HK$38.55 million respectively as compared to the previous year of HK$217.54 million and HK$49.69 million. The decline in gross profit margin was mainly attributable to higher production costs, particularly direct labour cost and raw material price increases during the financial year under review. The Group's profit attributable to equity shareholders of the Company was HK$11.46 million (2007: HK$50.14 million), representing a decrease of 77.14%.

– *Plastic Injection and Moulding*

During the financial year under review, the Group's core business of plastic injection and moulding experienced a decrease in turnover to HK$981.29 million, from HK$1,131.88 million in the previous year, represented by a fall in sales of 13.30%. This segment contributed 71.41% of the Group's sales as compared to 75.70% in the previous year.

The decrease in sales was mainly due to unfavourable market conditions. Moreover, certain customers shifted their plants to Asian countries with cheaper productions costs. Other factors include the increased pricing competition in the Electronic Manufacturing Solutions ("EMS") industry in the PRC. However, the Group's operations in Vietnam have provided a mitigating factor to this condition. Nevertheless, the primary contribution by geographic location was largely derived from the Zhuhai operation, which posted HK$583.54 million as compared to HK$769.46 million in the previous year.

As per the industry trend, this segment was under downward pressure and was only able to achieve a segment margin of 7.08% as compared with 11.52% in the previous year. The lower segment margin was mostly caused by increase in raw material prices, higher labour cost and increased machinery running expenses. The Group's stringent cost control measures did, however, moderate the overall cost effect.

– *Assembling of Electronic Products*

The turnover for assembling of electronic products business decreased to HK$211.95 million from HK$225.51 million in the previous year, representing a drop of 6.01%. This decrease in turnover was also due to the unfavourable market conditions.

On the other hand, income generated from processing of printed circuit boards for electronic products and its related electronic product surface mounting technologies ("SMT") were encouraging mainly due to higher numbers of orders from existing and new customers, which amounted to HK$54.90 million as compared to HK$41.95 million in the previous year.

This segment result achieved was HK$4.03 million as compared to HK$2.30 million in the previous year. Also, the segment margin improved from 1.02% to 1.90% during the financial year under review.

– *Mould Design and Fabrication*

The mould design and fabrication business has once again achieved record sales for the financial year under review. During the financial year under review, this segment achieved a turnover of HK$180.99 million as compared to HK$137.91 million in the previous year. This represented an encouraging growth of 31.24%.

The Group continued to expand this segment, relying on its competitive edge in quality and timely delivery. The Group had not only managed to capture more orders from existing and new customers but the segment also proved beneficial to other segments within the Group. This segment accounted for 13.17% of the Group's turnover as compared to 9.22% in the previous year. However, this segment result was reduced from HK$39.16 million to HK$34.26 million during the financial year under review. This decrease in segment margin was mainly attributable to competitive pricing, higher raw material cost and labour cost.

Other Net Income

During the financial year under review, the Group generated other net income of HK$30.94 million (2007: HK$15.16 million), comprised mainly of net realised gain on forward exchange contracts and rental income of HK$10.38 million and HK$8.41 million respectively. The Group also received an income tax refund in respect of reinvestment of profit of HK$5.36 million because the Group reinvested the dividends from a subsidiary by way of capital injection. Approvals from relevant tax authorities have been obtained during the financial year under review.

Distribution Costs and Administrative Expenses

The distribution costs for the financial year under review were HK$33.58 million, a slight increase over HK$32.34 million in the previous year. The increase was mainly due to an increase in staff cost together with the reversal of impairment losses for doubtful debts in the previous year.

The administrative expenses were HK$81.91 million, a decrease over last year's HK$82.20 million. That was largely due to a tighter operating expenses control and lower Directors' bonuses during the financial year under review.

Other Operating Income

During the financial year under review, the other operating income represented the reversal of the impairment losses for interest in associates as compared to the provision of impairment losses for interest in associates in the previous year.

Finance Costs

Finance costs for the financial year under review amounted to HK$47.65 million (2007: HK$54.96 million), representing a decrease of 13.30% over the previous year. The main reason for this reduction was due to a reduction in total borrowing by HK$49.67 million, of which during the financial year under review stated as HK$695.80 million as compared to HK$745.47 million in the previous year.

Share of Profits less Losses of Associates

During the financial year under review, the Group's share of profits less losses of associates amounted to HK$1.90 million as compared to losses of HK$4.78 million in the previous year. The turn around from losses to profits contribution was mainly due to the share of profits from the associate in Vietnam while the loss making associates were disposed of during the financial year under review.

Income Tax

Due to the expiry of certain tax incentives for the subsidiary companies, non-recognition of deferred tax benefit on losses of subsidiaries and the recognition of deferred tax liabilities in respect of withholding tax on future dividend income from the PRC subsidiaries, the Group's effective tax rate has increased from 14.78% to 37.29% during the financial year under review.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, the Group financed its operations and investing activities mainly with internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 July 2008, the Group had cash and bank deposits totalling HK$171.79 million (2007: HK$186.78 million), of which HK$46.79 million (2007: HK$65.53 million) was pledged to the banks for the facilities granted to the Group. The cash and bank deposits were denominated in United States ("US") dollars 55.03%, RMB 42.85%, and Hong Kong dollars 2.12%.

As at 31 July 2008, the Group had outstanding interest-bearing borrowings of HK$695.80 million (2007: HK$745.47 million), mainly consisting of bank borrowings of HK$672.93 million (2007: HK$713.93 million) and a loan from a substantial shareholder of HK$19.60 million (2007: HK$24.57 million). The total borrowings were denominated in RMB 20.03%, US dollars 41.68%, and Hong Kong dollars 38.29%, and the maturity profile is as follows:

	As at 31 July 2008		As at 31 July 2007	
Repayable	**HK$ million**	**%**	HK$ million	%
Within one year	**362.49**	**52.10**	532.24	71.40
After one year but within two years	**83.50**	**12.00**	36.07	4.84
After two years but within five years	**249.81**	**35.90**	177.16	23.76
Total borrowing	**695.80**	**100.00**	745.47	100.00
Cash and bank deposits	**(171.79)**		(186.78)	
Net borrowings	**524.01**		558.69	

The total borrowing of the Group has been reduced by HK$49.67 million to HK$695.80 million. This was the result of the Group's net surplus cash flow generated from the operations and the reduction in capital expenditure spending during the financial year under review.

The Group's gearing ratios improved during the financial year under review. The total net interest-bearing borrowings posted at HK$524.01 million were reduced to 33.74% and 97.97% of total assets and total shareholders' funds respectively (2007: 37.23% and 121.34% respectively). The improvement was in line with the Group's objectives of improving its gearing ratio and minimising its financing costs.

As at 31 July 2008, the Group's net current liabilities has declined to HK$0.46 million (2007: HK$148.73 million). This was mainly due to the repayment of bank borrowings and the conversion of certain short-term bank borrowings to long term bank borrowings during the financial year under review. As at the date of this report, the Group has undrawn total bank borrowings of up to HK$187.41 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements and future capital commitments.

CAPITAL STRUCTURE

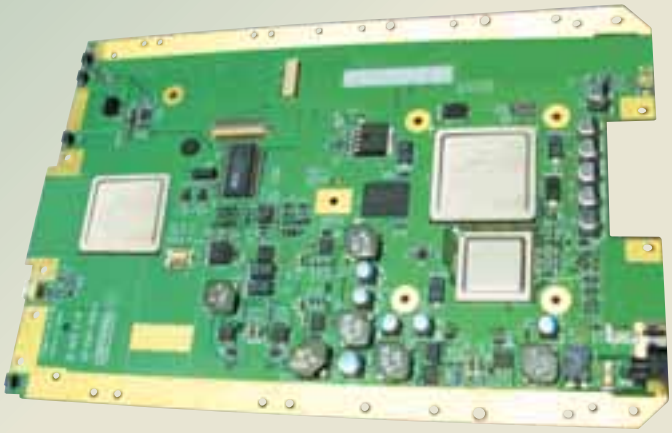
As at 31 July 2008, the Group's shareholders' fund stood at HK$534.85 million (2007: HK$460.43 million), an increase of 16.16% mainly due to the retained profits and the foreign exchange translation account. Total assets of the Group amounted to HK$1,553.10 million (2007: HK$1,500.46 million), 54.51% of which were fixed assets (2007: 53.33%).

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 July 2008, the Group's capital commitments were HK$120.51 million (2007: HK$11.37 million) substantially for a new customer and to enhance automation in mould making; while the operating lease commitment totalled HK$1.80 million (2007: HK$2.31 million). The Group does not have material contingent liabilities as at 31 July 2008.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in RMB or US dollars. The Group's policy is to match the currency mix of its loan portfolio and foreign currency payments with that of its revenue. During the financial year under review, the Group registered net foreign exchange gains of HK$1.20 million (2007: net exchange losses of HK$7.96 million), mainly attributable to the increase in bank borrowings denominated in US dollars and Hong Kong dollars. The management will continue to monitor the foreign currency risk exposure to ensure that it is kept at an acceptable level. In view of the foreign currency risk exposure, the Group has entered into certain forward exchange contracts with aggregate notional contract amounts of US$83,350,000 during the financial year under review to hedge against the trade receivables denominated in US dollars.



As at 31 July 2008, the notional amounts of the outstanding forward exchange contracts were US$64,000,000. The outstanding forward exchange contracts will expire within one year. The aggregate fair value of the outstanding forward exchange contracts amounted to HK$0.59 million as at 31 July 2008 and has been recognised as derivative financial instruments. The net realised gain on forward foreign exchange contracts and changes in fair value of the forward exchange contracts were recognised in the income statement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2008, the Group had a total of 7,786 employees (2007: 8,166). During the financial year under review, the Group did not make any significant changes to the Group's remuneration policies for its employees.

Employees' cost to the Group (excluding Directors' emoluments and wages paid to employees employed under the processing arrangement with the Providers) for the financial year under review amounted to HK$215.71 million (2007: HK$184.25 million). The increase in employees' cost was mainly due to the rise in remuneration as a result of the increase in minimum wages imposed by the local authorities of the PRC. The Group's remuneration package is updated on annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resource market and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group has recognised the need for the improvement of employees' technical knowledge, welfare and wellbeing, so as to attract and retain quality staff dedicated towards 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.

EXECUTIVE DIRECTORS

Mr. BEH Kim Ling, aged 50, is the chairman of the Company. Mr. Beh started his career in 1976 as a plastic moulding technician in Singapore. Three years later, Mr. Beh established VS Industry Pte Ltd. which was principally involved in the manufacturing of cassettes and video tapes parts in Singapore. In 1982, Mr. Beh, together with his wife, relocated the entire business operations of VS Industry Pte Ltd. from Singapore to Johor Bahru, Malaysia and set up V.S. Industry Berhad ("VS Berhad") in Johor Bahru, Malaysia. Mr. Beh is the executive chairman of VS Berhad since then. With the vast experience in the plastic moulding injection business gained in Singapore and Malaysia, Mr. Beh founded the Group's business in the PRC in 1997.

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

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

Mr. GAN Sem Yam, aged 52, is the managing Director. After completing his secondary education in 1975, Mr. Gan joined one of the shipyards in Singapore as an electrician. Mr. Gan joined VS Berhad in 1982 and was promoted to general manager and director of VS Berhad in February 1988.

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

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

Madam GAN Chu Cheng, aged 54, is the finance Director. Madam Gan, together with her husband, Mr. Beh Kim Ling, established VS Berhad in 1982. Madam Gan has accumulated more than 20 years experience in the plastic injection and moulding business. Madam Gan has headed several departments including production planning, procurement and finance departments in both VS Berhad and the Group.

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

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

Mr. ZHANG Pei Yu, aged 70, has been with the Group since October 2000. Prior to joining the Group, Mr. Zhang held various managerial positions with a number of large state-owned enterprises and government bureaux 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 48, has been a member of the Board since year 2001. After graduation from secondary school, Mr. Gan joined VS Berhad as a management trainee. Mr. Gan was subsequently promoted as the marketing manager of VS Berhad in 1986 and became a director of VS Berhad in February 1988.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DIONG Tai Pew, aged 57, was appointed as an independent non-executive Director in 2002. Mr. Diong graduated with a Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1976. Mr. Diong is a fellow member of The Chartered Association of Certified Accountants in the United Kingdom and Malaysian Institute of Taxation in Malaysia. Mr. Diong is also a member of Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Diong has more than 25 years of experience in audit and investigation work, taxation, merger and acquisition as well as business development. Mr. Diong is the principal partner of UHY Diong, an accounting and consulting group in Singapore and Malaysia. Mr. Diong is also an independent non-executive director of Toyochem Corporation Berhad, a company listed on the second board of Bursa Malaysia.

Mr. CHEUNG Kwan Hung, Anthony, aged 57, has been with the Board since year 2002. Mr. Cheung is a member of The Chartered Association of Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

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

Mr. TANG Sim Cheow, aged 49, 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 and is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, and a fellow member of the Malaysian Institute of Taxation in 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. In 2000, Mr. Tang started his own accounting firm under the name S C Tang & Associates in Malaysia.

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

SENIOR MANAGEMENT OF THE GROUP

Mr. LUI Chong Huat, aged 39, is the general manager of V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("VS Zhuhai") and V.S. Industry (Zhuhai) Co., Ltd. ("VSI (Zhuhai)"). Mr. Lui joined the Group in August 1997 and held senior positions as senior quality control manager, ISO management representative and senior production manager. Mr. Lui has gained over 15 years experience in the plastic injection, assembling of electronic products, tooling fabrication and moulding business. Mr. Lui has attended various management training courses and programmes on quality management control.

Mr. LO Boon Wah, aged 39, 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.. Mr. Lo, who joined the Group in July 2001, holds a Bachelor of Business Administration degree from the University of Utara Malaysia in Malaysia and has over 10 years experience in the management and administrative functions of manufacturing corporations.

Mr. LIEW San Kim, aged 44, is the general manager of V.S. Corporation (Hong Kong) Co., Limited ("VSHK"). Prior to joining the group in May 2005, Mr. Liew worked for a number of large corporations including Thomas Consumer Electronics (M) Sdn. Bhd., Avnet Industries (M) Sdn. Bhd., Santronics (M) Sdn. Bhd. and Amcor Fibre Packaging (M) Sdn. Bhd..

Mr. LAU Hong Yeow, aged 46, is the general manager of VSA Holding Hong Kong Co., Limited ("VSA(HK)") and VSA Electronics Technology (Zhuhai) Co., Ltd. ("VSAZH"), Mr. Lau first joined the Group as operation manager. He was promoted to assistant general manager in July 2007 and subsequently moved up to the position of general manager a year later. Mr. Lau is experienced in electronics manufacturing industry specializing in SMT and assembly for more than 24 years and he has worked in sizeable Japanese and multi-national companies in Singapore, Indonesia and Malaysia.

Mr. TEH Tong Meng, aged 30, join the Group as internal audit manager in March 2008. Mr. Teh holds a Bachelor Degree in Accounting and Finance and is an associate member of the Institute Internal Audit Malaysia. Prior to joining the Group, Mr. Teh has 8 years experience in internal audit function of a number of public listed companies in Malaysia.

Mr. YEN Chi Vui, William, aged 34, is the corporate finance manager of the Group as well as the finance manager of VSA(HK), VSAZH and VSHK. Mr. Yen is a member of The Chartered Association of Certified Accountants ("ACCA") in the United Kingdom and a member of Malaysian Institute of Accountants ("MIA") in Malaysia. Mr. Yen started his career with "Big 4" auditing firms for 5 years. Thereafter he was attached to large public listing companies in Malaysia. Mr. Yen has gained more than 10 years of experience in accounting, financing and taxation related fields in various industries in Malaysia, Hong Kong and the PRC.

COMPANY SECRETARY/QUALIFIED ACCOUNTANT

Mr. GOH Thian Song, aged 41, is the financial controller of the Group. Mr. Goh is a fellow member of the ACCA in United Kingdom and a member of Hong Kong Institute of Certified Public Accountants. In July 2001, Mr. Goh joined the Group as the finance manager of Haivs Qingdao and Qingdao GS and was promoted to the present position in April 2005. Mr. Goh was subsequently appointed as the secretary of the Company on 15 June 2005. Mr. Goh has gained over 15 years of experiences in relation to accounting, auditing and financing in the PRC and Malaysia. Mr. Goh is also a qualified accountant of the Group.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

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

Mr. Beh Kim Ling and Mr. Gan Sem Yam are the chairman and managing Director of the Company respectively. Mr. Beh Kim Ling, in addition to his duties as the chairman of the Company, is also responsible for 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 the Directors and senior management of the Group in securities of the Company, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

The Company, having made specific enquiry 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 2008.

BOARD OF DIRECTORS

The Board is currently composed of four executive Directors namely Mr. Beh Kim Ling as the chairman, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Zhang Pei Yu; one non-executive Director, Mr. Gan Tiong Sia; and three independent non-executive Directors namely Mr. Diong Tai Pew, Mr. Cheung Kwan Hung, Anthony and Mr. Tang Sim Cheow. The biographical details of the Directors are set out under "Directors and Senior Management Profile" of this 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 2008, the Board has convened five meetings at which, among other things, the following activities were conducted:

(1) approved the annual report for the financial year ended 31 July 2007 and matters to be considered at the 2007 annual general meeting;

(2) approved the interim results for the six months ended 31 January 2008;

(3) reviewed and approved corporate strategies of the Group for the financial year ending 31 July 2009; and

(4) reviewed the performance and financial position of the Group.

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

Details of the Directors' attendance records at the board meetings during the financial year ended 31 July 2008 are as follows:

Executive Directors	**Attendance**
Mr. Beh Kim Ling (Chairman)	5/5
Mr. Gan Sem Yam	5/5
Madam Gan Chu Cheng	5/5
Mr. Zhang Pei Yu	5/5
Non-executive Director	
Mr. Gan Tiong Sia	4/5
Independent non-executive Directors	
Mr. Diong Tai Pew	5/5
Mr. Cheung Kwan Hung, Anthony	5/5
Mr. Tang Sim Cheow	5/5

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

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

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

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The nomination of new Directors has been delegated to the chairman and other executive Directors. Their work includes reviewing regularly the need to appoint additional Directors and formulating the policy for nominating suitable candidates as additional Directors, such as candidates with appropriate professional knowledge and industry experiences. The Board will then consider the appointment of the candidates nominated by them as Directors. Among the five Board meetings convened during the financial year ended 31 July 2008, one of those included discussion on the appointment of Directors and all members of the Board were present in that Board meeting.

REMUNERATION COMMITTEE

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

During the financial year ended 31 July 2008, the Remuneration Committee has convened two meetings 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 2007. The meeting was attended by all the Remuneration Committee members.

AUDIT COMMITTEE

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

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

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

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

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

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

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

(5) reviewed all ongoing connected transactions of the Company.

Details of attendance of each member of the Audit Committee during the financial year ended 31 July 2008 are as follows:

	Attendance
Mr. Diong Tai Pew	2/2
Mr. Cheung Kwan Hung, Anthony	2/2
Mr. Tang Sim Cheow	2/2

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 2008, the nature of the audit and non-audit services provided by KPMG, the auditors of the Company, and the relevant fees paid by the Company for such services are as follows:

Services rendered	**Fee paid/payable**
	HK$
Audit services	1,782,500
Non-audit services, including interim review of the financial statements for the six months ended 31 January 2008	370,000
	2,152,500

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give 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 2008, 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 Auditors' Report to the Shareholders on page 44 of this 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 2008.

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 2008.

PRINCIPAL ACTIVITIES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	29%	–
Five largest customers in aggregate	53%	–
The largest supplier	–	7%
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 profit of the Group for the financial year ended 31 July 2008 and the state of the Company's and the Group's affairs as at 31 July 2008 are set out in the audited financial statements on pages 45 to 113.

DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the financial year ended 31 July 2008 (2007: HK1.0 cent per ordinary Share).

FIXED ASSETS

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

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 July 2008, 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$238,444,000 (2007: HK$230,547,000). These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Cheung Kwan Hung, Anthony
Tang Sim Cheow

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

DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Beh Kim Ling, Gan Sem Yam, Zhang Pei Yu and Madam Gan Chu Cheng, being all the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from 1 August 2001, 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, Cheung Kwan Hung, Anthony and Tang Sim Cheow are currently appointed as independent non-executive Directors. The appointments of Messrs. Gan Tiong Sia, Diong Tai Pew, Cheung Kwan Hung, Anthony and Tang Sim Cheow are for a term of one year renewable automatically for successive terms of one year until terminated by not less than two months' notice in writing served by either party to the other.

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

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

As at 31 July 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("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	47,800,775 Shares (L) (Notes 3 and 11)	5.51%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK$1 each (L)	–

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 Sem Yam	The Company	Beneficial owner	26,037,500 Shares (L) (Notes 4 and 11)	3.00%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	–
Gan Chu Cheng	The Company	Beneficial owner	39,600,775 Shares (L) (Notes 5 and 11)	4.57%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	–
Zhang Pei Yu	The Company	Beneficial owner	6,802,000 Shares (L) (Notes 6 and 11)	0.78%
Gan Tiong Sia	The Company	Beneficial owner	27,400,775 Shares (L) (Notes 7 and 11)	3.16%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	1,000,000 Shares (L) (Notes 8 and 11)	0.12%
Cheung Kwan Hung, Anthony	The Company	Beneficial owner	1,000,000 Shares (L) (Notes 9 and 11)	0.12%
Tang Sim Cheow	The Company	Beneficial owner	500,000 Shares (L) (Notes 10 and 11)	0.06%

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 interest in the shares and underlying shares of the Company or its associated corporations.

3. 8,600,000 of these Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Beh Kim Ling by the Company under its share option scheme, details of which are set out in note 11 below.

4. 8,600,000 of these Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Gan Sem Yam by the Company under its share option scheme, details of which are set out in note 11 below.

5. 8,600,000 of these Shares that would be allotted and issued upon exercise in full of the share options granted to Madam Gan Chu Cheng by the Company under its share option scheme, details of which are set out in note 11 below.

6. 6,800,000 of these Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Zhang Pei Yu by the Company under its share option scheme, details of which are set out in note 11 below.

7. 2,000,000 of these Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Gan Tiong Sia by the Company under its share option scheme, details of which are set out in note 11 below.

8. 500,000 of these Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Diong Tai Pew by the Company under its share option scheme, details of which are set out in note 11 below.

9. 500,000 of these Shares that would be allotted and issued upon exercise in full of the share options granted to Mr. Cheung Kwan Hung, Anthony by the Company under its share option scheme, details of which are set out in note 11 below.

10 These were Shares that would be allocated and issued upon exercise in full of share options granted to Mr. Tang Sim Cheow by the Company under its share option scheme, details of which are set out in note 11 below.

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

Notes: (continued)

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year ended 31 July 2008 was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 32 to the audited financial statements, no contract of significance to which the Company, any of its holding company, subsidiaries or fellow subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the 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 2008, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	**Number of shares held** (Note 1)	**Nature of interest/ capacity**	**Approximate percentage of interest**
VS Berhad	371,996,900 (L)	Beneficial owner	42.91%
Inabata Sangyo (HK) Limited	82,000,000 (L)	Beneficial owner	9.46%
Atlantis Investment Management Ltd.	48,156,000 (L)	Investment manager	5.55%

Notes:

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

SHARE OPTION SCHEME

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

Eligible participants of the Share Option Scheme include the following:

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

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

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

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

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

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

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

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

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

SHARE OPTION SCHEME (CONTINUED)

As at the date of this report, the total number of Shares available for issue, save for those granted but yet to be exercised, under the Share Option Scheme is 86,700,100 which representing approximately 10% of the issued share capital of the Company as at the 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$1.00 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.

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.

SHARE OPTION SCHEME (CONTINUED)

The following table discloses details of share options held by the grantees and movements in such holdings during the financial year ended 31 July 2008:

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 2007	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31 July 2008
Directors									
Beh Kim Ling	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
Gan Sem Yam	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
Gan Chu Cheng	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	2,150,000	–	2,150,000
Zhang Pei Yu	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	1,700,000	–	1,700,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	1,700,000	–	1,700,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	1,700,000	–	1,700,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	1,700,000	–	1,700,000
Gan Tiong Sia	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	500,000	–	500,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	500,000	–	500,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	500,000	–	500,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	500,000	–	500,000

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 2007	Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at 31 July 2008
Diong Tai Pew	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
Cheung Kwan Hung, Anthony	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
Tang Sim Cheow	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	125,000	–	125,000
					–	–	36,100,000	–	36,100,000
Other employees (Note 2)	17 August 2007	17 August 2007 to 31 July 2009	0.323	N/A	–	–	12,350,000	–	12,350,000
		1 November 2007 to 31 July 2009	0.323	N/A	–	–	12,350,000	–	12,350,000
		1 February 2008 to 31 July 2009	0.323	N/A	–	–	12,350,000	–	12,350,000
		1 May 2008 to 31 July 2009	0.323	N/A	–	–	12,350,000	–	12,350,000
					–	–	49,400,000	–	49,400,000
					–	–	85,500,000	–	85,500,000

SHARE OPTION SCHEME (CONTINUED)

Notes:

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

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

3. There were no share options being cancelled during the financial year ended 31 July 2008.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the financial year ended 31 July 2008.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions for the financial year ended 31 July 2008 are set out in note 32 to the audited financial statements.

The Group had entered into the following connected transactions and continuing connected transactions during the financial year ended 31 July 2008, details of which are required to be disclosed in this report pursuant to Chapter 14A of the Listing Rules:–

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

On 8 August 2006, V.S. International Industry Limited ("VSIIL"), a wholly-owned subsidiary of the Company, has entered into a master processing agreement with STX. Pursuant to the said master processing agreement, STX has agreed to engage VSIIL and its subsidiaries for the processing of printed circuit boards for electronic products using surface mounting technologies from time to time during the term of the said master processing agreement (i.e. from 8 August 2006 to 31 July 2009 (both days inclusive)). As STX is a worldwide distributor of electronic products with extensive worldwide marketing and distribution networks, the Directors consider that, by providing the above service to STX, the Group would be able to capture more business opportunities in these high market potential products and to enlarge its market shares worldwide.

The expected annual capped amounts of the processing fees payable by STX for the three years ending 31 July 2009 are HK$34,000,000, HK$41,000,000 and HK$46,000,000 respectively. The actual amount of processing fees paid by STX for the year ended 31 July 2008 was HK$20,130,288.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Details of the above continuing connected transaction were set out in the Company's announcement dated 8 August 2006 and the Company's circular dated 28 August 2006.

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

VS Zhuhai, a wholly-owned subsidiary of the Company entered into a lease agreement ("2003 Lease Agreement") with VS Management for leasing the residential complex comprising 26 residential buildings and other facilities ("Premises") on 11 December 2003 for a period of nine years.

On 2 August 2006, VS Zhuhai entered into a new lease agreement ("Existing Lease Agreement") with VS Management (which superseded the 2003 Lease Agreement) in relation to the lease of the Premises for a term of one year commencing from 1 August 2006. The Premises is used as staff quarters of VS Zhuhai and other members of the Group. The 2003 Lease Agreement was terminated and ceased to have any effect upon the signing of the Existing Lease Agreement.

Subsequent to the signing of the Existing Lease Agreement, on 14 November 2006, VS Management (as landlord) entered into lease agreements with the following three parties (as tenants):

(1) VS Zhuhai, in relation to the lease of up to 16 blocks of residential buildings comprising the Premises for a term of two years commencing from 1 August 2007;

(2) VSAZH, in relation to the lease of a block of residential building comprising the Premises for a term of two years commencing from 1 August 2007; and

(3) VSI (Zhuhai), in relation to the lease of up to two blocks of residential buildings comprising the Premises for a term of two years commencing from 1 August 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

The lease agreements under (1), (2) and (3) above are collectively referred to as the "New Lease Agreements". The Existing Lease Agreement remains in full force and effect. The subject properties under the New Lease Agreements are also used for staff quarters purpose. The aggregate annual rent and management fee payable by VS Zhuhai, VSAZH and VSI (Zhuhai) to VS Management is estimated to be approximately RMB16,000,000 (equivalent to approximately HK$15,842,000) for each of the two years ending 31 July 2009. The amount actually paid to VS Management for the year ended 31 July 2008 was HK$7,891,447.

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

The rental and related management fee were payable by cash in advance by two installments which fall due on 15 August 2007 and 15 February 2008.

Details of the above continuing connected transaction were set out in the Company's announcements dated 2 August 2006 and 14 November 2006 and the Company's circular dated 29 November 2006.

(iii) Continuing connected transactions with VS Berhad

VSIIL (for itself and on behalf of its subsidiaries (collectively, "VSIIL Group")), a wholly owned subsidiary of the Company entered into a master supply agreement with VS Berhad Group on 28 December 2005 ("VS Berhad Supply Agreement"). VSIIL Group also entered into a master manufacturing agreement with VS Berhad on 12 May 2006 ("VS Berhad Manufacturing Agreement"). Pursuant to the VS Berhad Supply Agreement, the VSIIL Group has agreed to supply certain plastic moulded products and parts as well as moulds from 28 December 2005 to 31 July 2008.

The expected capped amounts of sales to VS Berhad under the VS Berhad Supply Agreement for the three years ended 31 July 2008 are HK$7,000,000, HK$6,500,000 and HK$6,000,000 respectively. However, due to the increasing demand for the plastics moulding parts and moulds, the aggregate value for the continuing connected transactions are expected to exceed the original caps. Thus, VSIIL revised the annual cap to HK$62,100,000 and entered into a new master supply agreement with VS Berhad on 16 November 2007 ("New VS Berhad Supply Agreement"), in which the expected capped amounts of sales to VS Berhad for the three years ending 31 July 2011 are HK$91,806,000, HK$110,323,000 and HK$132,700,000 respectively. The actual amount of sales to VS Berhad for the year ended 31 July 2008 was HK$22,206,142. Such sales by VSIIL Group to VS Berhad has commenced since 2000. Details of the transactions under the VS Berhad Supply Agreement and the New VS Berhad Supply Agreement have been set out in the announcements of the Company dated 29 December 2005 and 16 November 2007 respectively.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Continuing connected transactions with VS Berhad (continued)

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

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

(iv) Continuing connected transactions with Andes

VSIIL (for itself and on behalf of the other members of the VSIIL Group) entered into a master supply agreement with Andes on 13 April 2006. The quantity, specification and price of the products to be supplied by VSIIL Group under the master supply agreement were subject to the individual manufacturing orders placed by Andes with VSIIL Group. Pursuant to such agreement, the VSIIL Group has supplied certain plastic moulded products and parts to Andes amounting to nil during the financial year ended 31 July 2008. These transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules by reason that Andes was a substantial shareholder of VSA(HK), a non-wholly owned subsidiary of the Company.

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

On 7 June 2007, VSA(HK) entered into a licence agreement with Andes for Andes to provide surface mounting technologies and related technical know-how and assistance from 7 June 2007 to 31 July 2009. The expected annual caps for the three years ending 31 July 2009 are HK$2,463,069, HK$4,100,000 and HK$4,200,000 respectively. The actual amount of fees paid to Andes for the year ended 31 July 2008 was HK$3,228,326. Details of the said transaction have been disclosed in the announcement of the Company dated 7 June 2007.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Pursuant to the said agreements, VSI (Shenzhen), VSI (Zhuhai) and VS Zhuhai have agreed to engage Zhongshan Kejie for colouration of plastic resin material and modification of chemical structure of plastic resin during the term of the said agreements. The quantity, specification and price of the processing services to be provided by Zhongshan Kejie under the said agreements will be subject to individual orders placed by VSI (Shenzhen), VSI (Zhuhai) and VS Zhuhai with Zhongshan Kejie. The expected annual capped amounts of the fees payable to Zhongshan Kejie under the said agreements for the three years ending 31 July 2009 is HK$5,947,485, HK$8,626,000 and HK$9,606,000 respectively. The actual amount of fees paid to Zhongshan Kejie for the year ended 31 July 2008 was HK$6,798,145.

Zhongshan Kejie is owned as to 80% by Mr. Beh Kim Hun, a brother and hence an associate of Mr. Beh Kim Ling, an executive Director and the chairman of the Company and the brother-in-law of Madam Gan Chu Cheng, an executive Director of the Company. Under Rule 14A.11(4)(b) of the Listing Rules, Mr. Beh Kim Hun is a connected person of the Company, and by virtue of him being a controlling shareholder of Zhongshan Kejie, Zhongshan Kejie is a connected person of the Company under the Listing Rules. Details of the said transaction have been disclosed in the announcement of the Company dated 17 January 2007.

(vi) Connected transactions: Financial assistance to VS Industry Vietnam Joint Stock Company ("VS Vietnam")

On 5 February 2007, the Company executed the corporate guarantee in favour of Malayan Banking Berhad ("Maybank") in Vietnam to secure the repayment obligations to the extent of US$300,000 (equivalent to approximately HK$2,340,000) of VS Vietnam in respect of loan facilities up to US$2,000,000 (equivalent to approximately HK$15,600,000) granted to VS Vietnam.

The said loan facilities were obtained by VS Vietnam to finance the import of raw materials and related matters, and for its general working capital purpose. The said guarantee is required by Maybank as security for the loan facilities.

As at the date of this report, VS Vietnam is a joint venture company in which the Company holds approximately 25.0% of the entire equity interest. Mr. Beh Kim Siea has an indirect equity interest of approximately 58.8% in VS Vietnam. Mr. Beh Kim Siea is also a brother and hence an associate and connected person of Mr. Beh Kim Ling, an executive Director and the chairman of the Company, and a brother-in-law of Madam Gan Chu Cheng, an executive Director of the Company. Accordingly, the provision of the said guarantee by the Company constituted a connected transaction of the Company under Rule 14A.13(2)(a)(ii) of the Listing Rules.

Details of the above connected transaction were set out in the Company's announcement dated 5 February 2007.

On 17 August 2007, the corporate guarantee in favour of Maybank was waived.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

The auditors of the Company also confirmed that the continuing connected transactions set out in paragraphs (i), (ii), (iii), (iv) and (v) 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 2008 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 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 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 July 2008 are set out in notes 23, 24 and 32(c) to the audited financial statements.

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year ended 31 July 2008 is set out in note 6(a) to the audited financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118 of this report.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on page 117 of this report.

RETIREMENT SCHEMES

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

AUDIT COMMITTEE

The Board established the Audit Committee on 20 January 2002 and the Audit Committee was re-constituted on 30 September 2004. The role, function and composition of the Audit Committee are set out on page 23 of this report.

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

AUDITORS

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

By order of the Board

Beh Kim Ling
Chairman
Hong Kong
23 September 2008

Auditors' Report

Independent auditor's report to the shareholders of
V.S. International Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of V.S. International Group Limited (the "Company") and its subsidiaries (collectively "the Group") set out on pages 45 to 113, which comprise the consolidated and company balance sheets as at 31 July 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2008 and of the Group's profit 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
23 September 2008

Consolidated Income Statement

for the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Turnover	3 &13	**1,374,223**	1,495,291
Cost of sales		**(1,231,561)**	(1,277,747)
Gross profit		**142,662**	217,544
Other net income	4	**30,937**	15,163
Distribution costs		**(33,577)**	(32,338)
Administrative expenses		**(81,914)**	(82,200)
Other operating income/(expenses)		**120**	(120)
Profit from operations		**58,228**	118,049
Finance costs	6(a)	**(47,650)**	(54,961)
Share of profits less losses of associates		**1,903**	(4,782)
Gain on disposal of associates		**5,286**	–
Profit before taxation	6	**17,767**	58,306
Income tax	7	**(6,625)**	(8,615)
Profit for the year		**11,142**	49,691
Attributable to:			
Equity shareholders of the Company	28	**11,464**	50,137
Minority interests	28	**(322)**	(446)
Profit for the year	28	**11,142**	49,691
Dividend payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	11(a)	**–**	8,670
Earnings per share	12		
Basic		**1.32 cents**	5.87 cents
Diluted		**1.32 cents**	5.83 cents

The notes on pages 52 to 113 form part of these financial statements.

Consolidated Balance Sheet

at 31 July 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		821,111	776,516
– Interests in leasehold land held for own use under operating leases		25,533	23,663
	14	846,644	800,179
Goodwill	15	2,172	2,172
Interest in associates	17	21,848	20,040
		870,664	822,391
Current assets			
Inventories	18	163,493	190,032
Trade and other receivables	19	347,158	301,265
Deposits with banks	20	56,159	65,527
Cash and cash equivalents	21	115,626	121,248
		682,436	678,072
Current liabilities			
Trade and other payables	22	319,531	294,561
Interest-bearing borrowings	23	354,316	523,651
Obligations under finance leases	24	3,270	3,676
Loan from a substantial shareholder	32(c)	4,899	4,914
Current taxation	26(a)	883	–
		682,899	826,802
Net current liabilities		(463)	(148,730)
Total assets less current liabilities		870,201	673,661
Non-current liabilities			
Interest-bearing borrowings	23	318,613	190,275
Obligations under finance leases	24	–	3,297
Loan from a substantial shareholder	32(c)	14,697	19,658
Deferred tax liabilities	26(b)	2,046	–
		335,356	213,230
NET ASSETS		534,845	460,431

at 31 July 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
CAPITAL AND RESERVES			
Share capital	27(a)	**43,349**	43,349
Reserves	28(a)	**487,733**	412,997
Total equity attributable to equity shareholders of the Company		**531,082**	456,346
Minority interests	28(a)	**3,763**	4,085
TOTAL EQUITY		**534,845**	460,431

Approved and authorised for issue by the board of directors on 23 September 2008.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 52 to 113 form part of these financial statements.

Balance Sheet

at 31 July 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Property, plant and equipment	14(b)	6,309	6,457
Investments in subsidiaries	16	412,470	393,864
		418,779	400,321
Current assets			
Other receivables	19	54,499	57,658
Cash and cash equivalents	21	781	1,993
		55,280	59,651
Current liabilities			
Other payables	22	162,453	142,967
Net current liabilities		(107,173)	(83,316)
Total assets less current liabilities		311,606	317,005
Non-current liabilities			
Deferred income	22(a)	29,813	43,109
NET ASSETS		281,793	273,896
CAPITAL AND RESERVES			
Share capital	27(a)	43,349	43,349
Reserves	28(b)	238,444	230,547
TOTAL EQUITY		281,793	273,896

Approved and authorised for issue by the board of directors on 23 September 2008.

Beh Kim Ling
Chairman

Gan Sem Yam
Managing Director

The notes on pages 52 to 113 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Total equity at 1 August			
Attributable to:			
– Equity shareholders of the Company		456,346	374,414
– Minority interests	28	4,085	5,110
		460,431	379,524
Net income recognised directly in equity:			
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	28	65,386	33,606
Net income for the year recognised directly in equity		65,386	33,606
Net profit for the year	28	11,142	49,691
Total recognised income and expense for the year		76,528	83,297
Attributable to:			
– Equity shareholders of the Company		76,850	83,743
– Minority interests	28	(322)	(446)
		76,528	83,297
Dividends declared and payable to:			
– Equity shareholders of the Company	11,28	(8,670)	(6,840)
– Minority interests	28	–	(579)
		(8,670)	(7,419)
Movements in equity arising from capital transactions:			
Shares issued under the share option scheme		–	4,997
Equity settled share-based transactions	28	6,556	32
		6,556	5,029
Total equity at 31 July		534,845	460,431

The notes on pages 52 to 113 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Operating activities			
Profit before taxation		17,767	58,306
Adjustments for:			
– Finance costs	6(a)	47,650	54,961
– Interest income	4	(4,091)	(6,943)
– Amortisation of interests in leasehold land held for own use under operating leases	14(a)	439	380
– Depreciation	14(a)	92,913	88,015
– Share of profits less losses of associates		(1,903)	4,782
– Change in fair value of forward foreign exchange contracts	4	593	(5,737)
– Impairment of interests in associates (reversed)/charged		(120)	120
– Gain on disposal of associates		(5,286)	–
– Loss on disposal of fixed assets	4	592	98
– Equity settled share-based payment expenses	5	6,556	32
Operating profit before changes in working capital		155,110	194,014
Decrease/(increase) in inventories		26,539	(18,364)
(Increase)/decrease in trade and other receivables		(37,005)	578
Increase/(decrease) in trade and other payables		36,456	(8,852)
Cash generated from operations		181,100	167,376
Income tax paid by the subsidiaries in the People's Republic of China ("PRC")	26	(3,696)	(9,532)
Net cash generated from operating activities		177,404	157,844
Investing activities			
Payments for the purchase of fixed assets		(60,127)	(80,589)
Proceeds from disposal of fixed assets		543	456
Proceeds from disposal of associates		5,286	–
Dividend received from an associate		215	–
Uplift of deposits with banks		9,575	18,560
Interest received		4,091	6,943
Payment for capital injection to an associate		–	(12,935)
Net cash used in investing activities		(40,417)	(67,565)

for the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Financing activities			
Capital element of finance lease rentals paid		(3,703)	(11,415)
Interest element of finance lease rentals paid		(316)	(962)
Repayment of loan from a substantial shareholder		(4,976)	(4,702)
Repayment of bank loans		(1,011,233)	(1,196,509)
Proceeds from new bank loans		927,560	1,138,924
Proceeds from shares issued under the share option scheme		–	4,997
Other borrowing costs paid		(47,431)	(56,477)
Dividend paid		(8,670)	(7,419)
Net cash used in financing activities		(148,769)	(133,563)
Net decrease in cash and cash equivalents		(11,782)	(43,284)
Cash and cash equivalents at 1 August	21	120,470	159,347
Effect of foreign exchange rates changes		1,373	4,407
Cash and cash equivalents at 31 July	21	110,061	120,470

The notes on pages 52 to 113 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). A summary of the significant accounting policies adopted by V.S. International Group Limited ("the Company") and its subsidiaries (collectively "the Group") is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 July 2008 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

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

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

As at 31 July 2008, the Group's and the Company's current liabilities exceeded its current assets by approximately $463,000 and $107,173,000 respectively. The directors have evaluated all the relevant facts available to them and are of the opinion that there does not exist any material adverse conditions which would preclude the Group and the Company from renewing the current bank loans upon expiry or securing adequate banking facilities to enable the Group and the Company to meet their financial obligations as they fall due for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and minority interests

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

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

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company.

Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

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

(d) Associates

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

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

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

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

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

(f) Derivative financial instruments

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

(g) Property, plant and equipment

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

- land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(h));
- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)); and
- other items of plant and equipment.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

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

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;
- Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 10 years from the date of completion, and the unexpired terms of the leases; and
- Plant and machinery 3-10 years
- Office equipment, furniture and fixtures 3-5 years
- Motor vehicles 5 years

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

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (continued)

(iii) Operating lease charges

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

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

(i) Impairment of assets

(i) Impairment of financial assets

Financial assets that are stated at cost or amortised cost or are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For financial assets that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material.

- For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

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

(ii) Impairment of other assets

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

- property, plant and equipment;

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

- investments in subsidiaries and interests in associates; and

- goodwill.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

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

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

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

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

(k) Trade and other receivables

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

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

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

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

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(p) Income tax

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

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

(ii) Other provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

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

(i) Sale of goods

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

(ii) Rental income from operating leases

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

(iii) Interest income

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

(s) Translation of foreign currencies

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing costs

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

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

(u) Related parties

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Segment reporting

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 29.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 27(b).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

3 TURNOVER

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

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

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

	2008 $'000	2007 $'000
Breakdown of turnover by principal activities		
Plastic injection and moulding	981,289	1,131,878
Assembling of electronic products	211,949	225,506
Mould design and fabrication	180,985	137,907
	1,374,223	1,495,291

4 OTHER NET INCOME

	2008 $'000	2007 $'000
Interest income	4,091	6,943
Rentals receivable from operating leases	8,414	9,257
Net foreign exchange gains/(losses)	1,202	(7,959)
Change in fair value of forward foreign exchange contracts	(593)	5,737
Net realised gain on forward foreign exchange contracts	10,381	877
Loss on disposal of fixed assets	(592)	(98)
Tax refund on reinvested profit (note)	5,355	–
Others	2,679	406
	30,937	15,163

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

5 STAFF COSTS

	2008 $'000	2007 $'000
Salaries, wages and allowances	226,234	211,997
Contribution to retirement benefit schemes	11,197	12,143
Equity settled share-based payment expenses (note 28)	6,556	32
	243,987	224,172

Staff costs include directors' remuneration totalling $17,995,000 (2007: $22,217,000) (note 8).

5 STAFF COSTS (CONTINUED)

A subsidiary of the Company has entered into processing arrangements with certain independent third parties (the "Providers") in respect of certain production facilities in Shenzhen, the PRC. Pursuant to the relevant processing agreements, labour required for production is provided by the Providers, who are responsible for the participation in retirement benefit schemes pursuant to the relevant rules and regulations in the PRC. In return, a processing charge calculated based on the number of staff engaged in the production is payable to the Providers. The Group has no obligations to pay any retirement benefits to existing and former staff provided by the Providers. With effect of new labour law in the PRC, these processing arrangements have been modified. As a result of which, all workers have been transferred under the Group and the Group assumed all associated staff costs.

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

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

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

6 PROFIT BEFORE TAXATION

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

	2008 $'000	2007 $'000
(a) Finance costs:		
Interest on bank advances repayable within five years	42,483	52,472
Interest on loan from a substantial shareholder	1,053	1,300
Finance charges on obligations under finance leases	316	962
Total borrowing costs	43,852	54,734
Less: Borrowing costs capitalised as construction in progress *	(97)	(2,478)
	43,755	52,256
Other charges	3,895	2,705
	47,650	54,961

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 6.3% (2007: 7.1%) per annum for construction in progress.

6 PROFIT BEFORE TAXATION (CONTINUED)

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

	2008 $'000	2007 $'000
(b) Other items:		
Cost of inventories#	1,231,561	1,277,747
Auditors' remuneration		
– audit services	1,979	1,902
– other services	832	579
Impairment of doubtful debts charged/(reversed)	271	(2,193)
Impairment of interests in associates (reversed)/charged	(120)	120
Processing fees#	10,283	17,703
Amortisation of interests in leasehold land held for own use under operating leases	439	380
Depreciation#		
– other assets	90,834	85,185
– assets held under finance leases	2,079	2,830
Operating lease charges in respect of properties#		
– factory and hostel rentals	10,476	10,494
Loss on disposal of fixed assets	592	98

Cost of inventories includes $247,718,000 (2007: $233,525,000) relating to staff costs, depreciation, processing fees and operating lease charges which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 $'000	2007 $'000
Current tax – PRC		
Tax for the year	4,579	8,615
Deferred tax		
Origination of temporary differences	2,046	–
	6,625	8,615

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 2008 and 2007.

Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax. Subsidiaries of the Company in the PRC which are foreign investment enterprises are granted certain tax relief, under which they are entitled to PRC income tax exemption for two years commencing from the first profit making year and to a 50% relief from PRC income tax for the following three years. After the expiry of the tax relief period, the subsidiaries' profits are subject to PRC income tax at the rate of 15% in 2007 and 18% in 2008.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Subsidiaries of the Company in the PRC were either entitled to income tax exemption or sustained losses for taxation purposes for the year ended 31 July 2008 except for the following five subsidiaries of the Company in the PRC which are subject to standard or preferential income tax rates as follows:

Name of subsidiary	Period	Income tax rate
V.S. Technology Industry Park (Zhuhai) Co., Ltd. ("VS Zhuhai")	1 August 2006 to 31 December 2006	10.0%
	1 January 2007 to 31 December 2007	10.0%
	1 January 2008 to 31 July 2008	18.0%
Haivs Industry (Qingdao) Co., Ltd.	1 August 2006 to 31 December 2006	7.5%
	1 January 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 July 2008	18.0%
V.S. Industry (Zhuhai) Co., Ltd. ("VSI (Zhuhai)")	1 August 2006 to 31 December 2006	7.5%
	1 January 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 July 2008	9.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 August 2006 to 31 December 2006	Exempted
	1 January 2007 to 31 December 2007	7.5%
	1 January 2008 to 31 July 2008	9.0%
Qingdao GP Precision Mold Plastics Co., Ltd.	1 February 2008 to 31 July 2008	25.0%

The export sales made by VS Zhuhai exceeded 70% of its total turnover for the twelve months ended 31 December 2006. Pursuant to relevant PRC tax regulations, VS Zhuhai can obtain approval from the relevant tax authorities for a 5% reduction in the income tax rate. On 15 March 2007, approvals from the relevant tax authorities were obtained. Part of the income tax credit, which amounted to $3,213,000, was recognised as a reduction of income tax expenses during the financial year ended 31 July 2007. The remaining tax credit of $886,000 was utilised against the income tax expenses for the year ended 31 July 2008.

The export sales made by VS Zhuhai during the twelve months ended 31 December 2007 also exceeded 70% and approvals from the relevant tax authorities were obtained on 30 April 2008. Part of the income tax credit approved for the twelve months ended 31 December 2007, which amounted to $1,686,000, was recognised as a reduction of income tax expenses during the financial year ended 31 July 2008. The remaining tax credit of $317,000 will be utilised against the future income tax expenses. As a result of income tax credit approved for the twelve months ended 31 December 2006 and 2007, the Group has recognised $2,572,000 (2007: $3,213,000) in total as a reduction of income tax expense for the year ended 31 July 2008.

A subsidiary of the Company has entered into processing arrangements with the Providers in respect of certain production facilities in Shenzhen, the PRC. Pursuant to the processing agreements, the Providers bear any PRC tax in respect of the Group's relevant production facilities in Shenzhen, the PRC.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

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

Pursuant to the new PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax rate will apply to dividend payments by VS Zhuhai, VS Industry (Shenzhen) Co., Ltd. ("VSI (Shenzhen)") and VSI (Zhuhai), as their holding companies are incorporated in Hong Kong and there is a tax treaty arrangement between the PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

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

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

	2008 $'000	2007 $'000
Profit before taxation	17,767	58,306
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	3,198	8,746
Tax effect of non-deductible expenses	6,569	3,964
Tax effect of unused tax losses not recognised	323	1,679
Tax effect on withholding tax of retained earnings in the PRC subsidiaries	2,046	–
Tax effect of tax relief granted	(5,511)	(5,774)
Actual tax expense	6,625	8,615

8 DIRECTORS' REMUNERATION

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

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

8 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of every director for the year ended 31 July 2007 is set out below:

	Fee	Salary	Discretionary bonus (note (i))	Share-based payments (note (ii))	Retirement scheme contributions	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Beh Kim Ling	–	6,000	3,600	5	–	9,605
Gan Sem Yam	–	4,200	3,000	5	–	7,205
Gan Chu Cheng	–	3,000	1,200	5	–	4,205
Zhang Pei Yu	–	447	150	3	–	600
	–	13,647	7,950	18	–	21,615
Non-executive director						
Gan Tiong Sia	180	–	–	2	–	182
Independent non-executive directors						
Diong Tai Pew	160	–	–	–	–	160
Cheung Kwan Hung, Anthony	140	–	–	–	–	140
Tang Sim Cheow	120	–	–	–	–	120
	420	–	–	–	–	420
	600	13,647	7,950	20	–	22,217

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 as described in note 25. The value of these share options is measured accordingly to the Group's accounting policies for share-based payment transactions as set out in note 1(o)(ii).

8 DIRECTORS' REMUNERATION (CONTINUED)

Share options granted and the corresponding exercisable portion in respect of each director are set out below:

	Number granted	Number exercisable as at 1 August 2007	Options vested during the year	Options exercised during the year	**Number exercisable as at 31 July 2008**
Executive directors					
Beh Kim Ling	8,600,000	–	8,600,000	–	**8,600,000**
Gan Sem Yam	8,600,000	–	8,600,000	–	**8,600,000**
Gan Chu Cheng	8,600,000	–	8,600,000	–	**8,600,000**
Zhang Pei Yu	6,800,000	–	6,800,000	–	**6,800,000**
	32,600,000	–	32,600,000	–	**32,600,000**
Non-executive director					
Gan Tiong Sia	2,000,000	–	2,000,000	–	**2,000,000**
Independent non-executive directors					
Diong Tai Pew	500,000	–	500,000	–	**500,000**
Cheung Kwan Hung, Anthony	500,000	–	500,000	–	**500,000**
Tang Sim Cheow	500,000	–	500,000	–	**500,000**
	1,500,000	–	1,500,000	–	**1,500,000**
	36,100,000	–	36,100,000	–	**36,100,000**

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2007: two) individuals are as follows:

	2008 $'000	2007 $'000
Salaries and other emoluments	1,671	1,205
Retirement benefit scheme contributions	–	–
Discretionary bonuses	286	549
Share-based payments	467	1
	2,424	1,755

The emoluments of the two (2007: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2008	2007
$Nil-$1,000,000	2	2

Under the Company's share option scheme described in note 25, the two individuals of the Company with the highest emoluments were granted an aggregate of 6,092,000 share options to subscribe for shares in the Company during the year. None of the share options granted were exercised during the year ended 31 July 2008 (2007: 324,000 share options).

There were no amounts paid during the year ended 31 July 2008 and 2007 to the directors or any of the five highest paid individuals as inducement to join or upon joining the Company or the Group or as compensation for loss of office.

10 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a loss of $23,792,000 (2007: $27,142,000) of the holding company which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount of the Company's profit/(loss) for the year:

	2008 $'000	2007 $'000
Amount of consolidated loss attributable to equity shareholders dealt with the Company's financial statements	(23,792)	(27,142)
Income recognised in respect of financial guarantee provided by the Company to its subsidiaries	33,803	23,395
Company's profit/(loss) for the year (note 28(b))	10,011	(3,747)

11 DIVIDENDS

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

	2008 $'000	2007 $'000
Final dividend proposed after the balance sheet date of Nil (2007: 1.0 cent) per share	–	8,670

The final dividend proposed after the balance sheet date had not been recognised as a liability at the balance sheet date.

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

	2008 $'000	2007 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.0 cent (2007: 0.8 cents) per share	8,670	6,840

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $11,464,000 (2007: $50,137,000) and the weighted average number of 866,976,000 shares (2007: 854,349,619 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008 Number of shares	2007 Number of shares
Issued ordinary shares at 1 August	866,976,000	839,215,000
Effect of share options exercised (note 25)	–	15,134,619
Weighted average number of ordinary shares at 31 July	866,976,000	854,349,619

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $11,464,000 (2007: $50,137,000) and the weighted average number of ordinary shares of 866,976,000 shares (2007: 859,502,362 shares), after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares at 31 July	**866,976,000**	854,349,619
Effect of deemed issue of shares under the Company's share option scheme of nil consideration (note 25)	**–**	5,152,743
Weighted average number of ordinary shares (diluted) at 31 July	**866,976,000**	859,502,362

13 SEGMENT REPORTING

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

(a) Business segments

The Group comprises the following main business segments:

Plastic injection and moulding	:	manufacturing and sale of plastic moulded products and parts
Assembling of electronic products	:	assembling and sale of electronic products, including processing fees generated from assembling of electronic products
Mould design and fabrication	:	manufacturing and sale of plastic injection moulds

13 SEGMENT REPORTING (CONTINUED)

(a) Business segments (continued)

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Turnover from external customers	981,289	1,131,878	211,949	225,506	180,985	137,907	1,374,223	1,495,291
Segment result	69,487	130,433	4,026	2,300	34,263	39,155	107,776	171,888
Unallocated operating income and expenses							(49,548)	(53,839)
Profit from operations							58,228	118,049
Finance costs							(47,650)	(54,961)
Share of profits less losses of associates							1,903	(4,782)
Gain on disposal of associates							5,286	–
Income tax							(6,625)	(8,615)
Profit for the year							11,142	49,691
Depreciation and amortisation for the year	58,660	55,508	20,298	18,681	8,051	7,160	87,009	81,349
Unallocated depreciation and amortisation							6,343	7,046
							93,352	88,395
Significant non-cash items (other than depreciation and amortisation)	(2,039)	(3,025)	(1,420)	(589)	(1,209)	(338)	(4,668)	(3,952)
Segment assets	833,770	884,150	193,330	192,261	166,409	140,414	1,193,509	1,216,825
Interest in associates							21,848	20,040
Unallocated assets							337,743	263,598
Total assets							1,553,100	1,500,463
Segment liabilities	210,137	199,134	38,463	27,577	36,658	42,451	285,258	269,162
Unallocated liabilities							732,997	770,870
Total liabilities							1,018,255	1,040,032
Capital expenditure incurred during the year	29,845	82,258	3,961	1,281	25,985	7,901	59,791	91,440
Unallocated capital expenditure							3,907	9,189
							63,698	100,629

13 SEGMENT REPORTING (CONTINUED)

(b) Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets. All segment assets and capital expenditure are in the PRC.

Turnover from external customers is analysed as follows:

	2008 $'000	2007 $'000
PRC (other than Taiwan and Hong Kong)	771,338	878,641
Hong Kong	222,282	318,844
Northern Asia	195,294	102,986
Europe	78,909	73,522
United States of America	74,560	53,039
South East Asia	31,766	67,832
Others	74	427
	1,374,223	1,495,291

14 FIXED ASSETS

(a) The Group

	Buildings held for own use $'000	Leasehold improvements $'000	Plant and machinery $'000	Office equipment, furniture and fixtures $'000	Motor vehicles $'000	Construction in progress $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total $'000
Cost:									
At 1 August 2006	234,307	25,748	715,820	26,313	20,807	25,339	1,048,334	24,862	1,073,196
Exchange adjustments	15,166	856	36,836	1,685	1,070	769	56,382	1,343	57,725
Transfer	47,792	–	2,523	967	–	(51,282)	–	–	–
Additions	5,210	278	55,337	7,230	3,197	29,377	100,629	–	100,629
Disposals	–	–	(12,115)	(16)	(1,032)	–	(13,163)	–	(13,163)
At 31 July 2007	302,475	26,882	798,401	36,179	24,042	4,203	1,192,182	26,205	1,218,387
At 1 August 2007	302,475	26,882	798,401	36,179	24,042	4,203	1,192,182	26,205	1,218,387
Exchange adjustments	30,616	1,583	70,965	3,787	2,007	168	109,126	2,448	111,574
Transfer	49	–	793	7	–	(849)	–	–	–
Additions	4,788	419	50,352	5,838	1,445	738	63,580	118	63,698
Disposals	–	–	(3,917)	(457)	(2,268)	–	(6,642)	–	(6,642)
At 31 July 2008	337,928	28,884	916,594	45,354	25,226	4,260	1,358,246	28,771	1,387,017
Accumulated depreciation and amortisation:									
At 1 August 2006	19,500	8,683	266,881	15,933	14,519	–	325,516	2,046	327,562
Exchange adjustments	1,218	184	11,727	908	707	–	14,744	116	14,860
Charge for the year	5,441	2,544	72,034	5,233	2,763	–	88,015	380	88,395
Written back on disposals	–	–	(11,676)	(13)	(920)	–	(12,609)	–	(12,609)
At 31 July 2007	26,159	11,411	338,966	22,061	17,069	–	415,666	2,542	418,208
At 1 August 2007	26,159	11,411	338,966	22,061	17,069	–	415,666	2,542	418,208
Exchange adjustments	2,859	465	27,175	2,126	1,438	–	34,063	257	34,320
Charge for the year	7,292	2,500	75,452	4,860	2,809	–	92,913	439	93,352
Written back on disposals	–	–	(3,317)	(103)	(2,087)	–	(5,507)	–	(5,507)
At 31 July 2008	36,310	14,376	438,276	28,944	19,229	–	537,135	3,238	540,373
Net book value:									
At 31 July 2008	301,618	14,508	478,318	16,410	5,997	4,260	821,111	25,533	846,644
At 31 July 2007	276,316	15,471	459,435	14,118	6,973	4,203	776,516	23,663	800,179

14 FIXED ASSETS (CONTINUED)

(b) The Company

	Buildings held for own use $'000	Office equipment, furniture and fixtures $'000	Total $'000
Cost:			
At 31 July 2007 and 2008	7,247	200	7,447
Accumulated depreciation:			
At 1 August 2006	652	167	819
Charge for the year	145	26	171
At 31 July 2007	797	193	990
At 1 August 2007	797	193	990
Charge for the year	145	3	148
At 31 July 2008	942	196	1,138
Net book value:			
At 31 July 2008	6,305	4	6,309
At 31 July 2007	6,450	7	6,457

14 FIXED ASSETS (CONTINUED)

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

	The Group		The Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
In Hong Kong				
– Medium-term leases	**6,305**	6,450	**6,305**	6,450
Outside Hong Kong				
– Medium-term leases	**320,846**	293,529	**–**	–
	327,151	299,979	**6,305**	6,450
Representing:				
Buildings held for own use	**301,618**	276,316	**6,305**	6,450
Interests in leasehold land held for own use under operating leases	**25,533**	23,663	**–**	–
	327,151	299,979	**6,305**	6,450

(d) At 31 July 2008 and 2007, certain fixed assets have been pledged as security for the bank loans (note 23(b)).

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

The net book value of plant and machinery held under finance leases of the Group was $17,062,000 (2007: $23,053,000).

15 GOODWILL

	The Group $'000
Cost and carrying amount:	
At 31 July 2007 and 2008	2,172

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

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008 $'000	2007 $'000
Unlisted shares, at cost	412,470	393,864

Details of the subsidiaries at 31 July 2008 are set out below. All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements.

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

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Qingdao GP Electronic Plastics Co., Ltd. (note (i))	PRC	PRC	US$6,132,822	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
Qingdao GP Precision Mold Co., Ltd. (note(i))	PRC	PRC	US$761,934	100%	–	100%	Manufacturing and selling of plastic injection moulds
VSA Holding Hong Kong Co., Limited ("VSA(HK)")	Hong Kong	PRC	$15,600,000	71%	–	71%	Assembling and selling of electronic products, parts and components
VSA Electronics Technology (Zhuhai) Co., Ltd. (note (iii))	PRC	PRC	US$11,500,000	98.55%	–	98.55%	Assembling and selling of electronic products, parts and components
V.S. Capital Holdings Limited	Hong Kong	N/A	$2	100%	–	100%	Dormant
V.S. Resources Holdings Limited	BVI	Hong Kong	US$100	100%	100%	–	Investment holding
VSI (Zhuhai) (note (ii))	PRC	PRC	US$7,959,050	100%	–	100%	Manufacturing and selling of plastic moulded products and parts
V.S. Holding Vietnam Limited	BVI	Hong Kong	US$100	100%	100%	–	Investment holding

Notes:

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

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

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

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

17 INTERESTS IN ASSOCIATES

	The Group	
	2008	2007
	$'000	$'000
Share of net assets	**13,327**	11,639
Goodwill	**8,521**	8,521
	21,848	20,160
Less: impairment losses	**–**	(120)
	21,848	20,040

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

Name of associate	Form of business structure	Place of incorporation	Place of operation	Particulars of capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiaries	Principal activity
VS Industry Vietnam Joint Stock Company ("VS Vietnam")	Limited liability company	Vietnam	Vietnam	Legal capital of US$10,200,000	25.0%	25.0%	Manufacturing and selling of plastic moulded products and parts
VS-Usotor (Zhuhai) Co., Ltd. ("VS-Usotor")	Sino–foreign equity joint venture	PRC	PRC	Registered capital $6,200,000	15.3% (note (i))	15.3%	Manufacturing and selling of metal stamped parts and components

Notes:

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

(ii) During the year, the Group entered into two equity disposal agreements with Wako (Hong Kong) Co., Ltd. to dispose of its equity interest of 35.1% and 18.9% in Wako VS Nano Technologies (Zhuhai) Co., Ltd. ("Wako VS Zhuhai") and Wako VS Nano Technologies (Hong Kong) Co., Ltd. ("Wako VS HK") respectively, for an aggregate consideration of $5,286,000. Since the interests in both associates had been reduced to nil in previous year, a gain on disposal of $5,286,000 was recognised for the year ended 31 July 2008.

17 INTERESTS IN ASSOCIATES (CONTINUED)

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

	2008 $'000	2007 $'000
Assets	321,535	311,313
Liabilities	(232,336)	(229,888)
Equity	89,199	81,425
Revenues	255,167	99,482
Profits/(losses)	11,659	(12,932)

18 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2008 $'000	2007 $'000
Raw materials	67,557	79,394
Work-in-progress	58,979	69,566
Finished goods	36,957	41,072
	163,493	190,032

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

	The Group	
	2008 $'000	2007 $'000
Carrying amount of inventories sold	1,227,165	1,279,506
Write down of inventories	5,164	412
Reversal of write-down of inventories	(768)	(2,171)
	1,231,561	1,277,747

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

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade receivables	235,367	220,394	–	–
Bills receivable	44,145	34,952	–	–
Less: allowance for doubtful debts	(1,541)	(2,018)	–	–
	277,971	253,328	–	–
Amounts due from subsidiaries	–	–	54,469	57,548
Other receivables, prepayments and deposits	44,040	42,200	30	110
Acquisition deposits	25,147	–	–	–
Unrealised gain on derivative financial instruments	–	5,737	–	–
	347,158	301,265	54,499	57,658

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

In June 2008, a subsidiary of the Company entered into an agreement with the Possible Cooperation Partner to invest $24,442,000, which shall be satisfied in cash, as a capital injection into an 51% equity interest of an investment target ("Target"), a company established in Heilongjiang Province, the PRC, the principal activity of which is natural resource exploration in the PRC at permitted and authorised locations. The agreement will only be effective when the Target obtains a revised certificate of approval and a revised business license. As at 31 July 2008, the subsidiary has injected the first instalment of $8,035,000 into the Target. The remaining balance will be injected by 31 December 2008 upon receipt of approvals from local authorities about the change in company structure. Since the local approval procedures (i.e. revision to certificates of approval and obtaining a business license) had not been completed as at 31 July 2008, the amount paid of $8,035,000 is included within other receivables as at 31 July 2008 (note 33).

The Possible Cooperation Partner shall fully refund the deposit to the Group upon completion of the potential investment.

During the year ended 31 July 2008, the Group has paid another deposit of $5,704,000 to another independent third party in another investment project, for an exclusive right of negotiation in relation to exploration of natural resources in Inner Mongolia, the PRC. The deposit will be refunded if no agreement is reached.

Bills discounted to banks with recourse totalling $15,536,000 (2007: $34,641,000) were included in bills receivables (note 23(b)) as at 31 July 2008.

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

Certain bills receivable have been pledged to banks as security for banking facilities in connection with trade finance (note 22(c)).

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	The Group	
	2008	2007
	$'000	$'000
Current	**251,316**	223,660
Less than one month past due	**19,712**	23,502
One to three months past due	**4,741**	5,711
More than three months but less than twelve months past due	**2,202**	455
	26,655	29,668
	277,971	253,328

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

(b) Impairment of trade and bills receivable

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

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

	At 31 July 2008 $'000	At 31 July 2007 $'000
At 1 August	**2,018**	5,142
Impairment loss recognised/(reversed)	**271**	(2,193)
Uncollectible amounts written off	**(748)**	(931)
At 31 July	**1,541**	2,018

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

At 31 July 2008, the Group's trade receivables of $1,541,000 (31 July 2007: $2,018,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts totalling $1,541,000 have been recognised as at 31 July 2008 (31 July 2007: $2,018,000) after considering subsequent settlement and other relevant factors. The Group does not hold any collateral over these balances.

(c) Trade and bills receivable that are not impaired

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

	At 31 July 2008 $'000	At 31 July 2007 $'000
Neither past due nor impaired	251,316	223,660
Less than one month past due	19,712	23,502
One to three months past due	4,741	5,711
More than three months but less than twelve months past due	2,202	455
	26,655	29,668
	277,971	253,328

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

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

20 DEPOSITS WITH BANKS

	The Group	
	2008 $'000	2007 $'000
Deposits with banks with original maturity date over three months	9,365	–
Pledged fixed deposits with banks	46,794	65,527
	56,159	65,527

Pledged fixed deposits with banks have been pledged to banks as security for the bank loans and overdrafts (note 23(b)).

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at bank and in hand	115,626	121,248	781	1,993
Cash and cash equivalents in the balance sheet	115,626	121,248	781	1,993
Bank overdrafts (note 23(a))	(5,565)	(778)		
Cash and cash equivalents in the consolidated cash flow statement	110,061	120,470		

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Amounts due to subsidiaries	–	–	137,720	108,742
Trade payables	206,742	208,364	–	–
Bills payable	21,985	–	–	–
Deferred income (note 22(a))	–	–	21,711	23,613
Accrued expenses and other payables	90,211	86,197	3,022	10,612
Unrealised loss on derivative financial instruments	593	–	–	–
	319,531	294,561	162,453	142,967

All of the trade and other payables, including amounts due to subsidiaries, are expected to be settled or recognised as income within one year. Amounts due to subsidiaries are unsecured, interest free and repayable upon demand.

22 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Deferred income

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

	The Company	
	2008	2007
	$'000	$'000
Financial guarantees issued	**51,524**	66,722
To be amortised within one year	**(21,711)**	(23,613)
To be amortised after one year	**29,813**	43,109

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

	The Group	
	2008	2007
	$'000	$'000
Due within 30 days or on demand	**72,411**	84,343
Due after 30 days but within 90 days	**107,970**	106,707
Due after 90 days but within 180 days	**48,346**	17,314
	228,727	208,364

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

	The Group	
	2008	2007
	$'000	$'000
Bills receivable (note 19)	**13,689**	–

23 INTEREST-BEARING BORROWINGS

	The Group	
	2008	2007
	$'000	$'000
Current:		
Within one year or on demand	**354,316**	523,651
Non-current:		
After one year but within two years	**78,604**	27,856
After two years but within five years	**240,009**	162,419
	318,613	190,275
	672,929	713,926

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

	The Group	
	2008	2007
	$'000	$'000
Current:		
Overdrafts		
– secured (note 21)	**5,565**	778
Bank loans		
– secured	**233,192**	378,197
– unsecured	**115,559**	144,676
	348,751	522,873
	354,316	523,651
Non-current:		
Bank loans		
– secured	**318,613**	190,275
	672,929	713,926

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

23 INTEREST-BEARING BORROWINGS (CONTINUED)

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

	The Group		The Company	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Bills receivable (note 19)	**15,536**	34,641	**–**	–
Fixed deposits (note 20)	**46,794**	65,527	**–**	–
Buildings held for own use with aggregate carrying value (note 14(d))	**272,947**	217,871	**6,305**	6,450
Plant and machinery with aggregate carrying value (note 14(d))	**–**	172,810	**–**	–
Interests in leasehold land held for own use under operating leases with aggregate carrying value (note 14(d))	**21,883**	17,559	**–**	–
	357,160	508,408	**6,305**	6,450

Such banking facilities, totalling $582,518,000 (2007: $744,443,000), were utilised to the extent of $557,370,000 (2007: $569,250,000) at 31 July 2008.

(c) Two (2007: three) of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(b). As at 31 July 2008 and 31 July 2007, none of the covenants relating to drawn down facilities had been breached.

24 OBLIGATIONS UNDER FINANCE LEASES

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

	The Group					
	2008			2007		
	Present value of the minimum lease payments $'000	Interest expense relating to future periods $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Interest expense relating to future periods $'000	Total minimum lease payments $'000
Within one year	3,270	87	3,357	3,676	378	4,054
After one year but within two years	–	–	–	3,297	115	3,412
	3,270	87	3,357	6,973	493	7,466

The Company has given a corporate guarantee in respect of the lease obligations.

25 SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved by the shareholders on 20 January 2002 whereby directors of the Company are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to take up options to subscribe for shares in the Company.

Pursuant to the ordinary resolution duly passed by the independent shareholders of the Company at the annual general meeting ("AGM") held on 15 December 2006, the general scheme limit ("General Scheme Limit") of the Share Option Scheme was refreshed. The total number of shares which could be allotted and issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other Share Option Schemes of the Company must not in aggregate exceed 10 percent of the shares in issue as at the date of the AGM. As at the date of the AGM, there were 855,025,000 shares of the Company in issue. Accordingly, the refreshed General Scheme Limit was 85,502,500 shares of the Company.

Pursuant to resolution ("Resolutions") passed on 17 August 2007, the board of the directors of the Company approved the grant of 85,500,000 share options under the rules of the Share Option Scheme.

A list ("List of Grantees") of proposed grantees (each a "Grantee" and collectively the "Grantees"), such Grantees comprising four executive directors, one non-executive director, three independent non-executive directors, one director of VSA(HK) and 44 employees of the Group, set out proposals for each Grantee to be offered share options ("Share Options") pursuant to the Share Option Scheme to subscribe for shares of $0.05 each in the share capital of the Company.

25 SHARE OPTION SCHEME (CONTINUED)

The main purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. In appreciation of their efforts and continuing support and service to the Group, the Company has granted Share Options to the Grantees pursuant to the Share Option Scheme, to subscribe for Share Options at a subscription price of $0.323 ("Subscription Price") per Share Option. The Subscription Price was not less than the higher of (i) the closing price of the shares of the Company (being $0.275) on the Stock Exchange on the date of passing of the Resolutions, being the date of the offer of grant of the Options; and (ii) the average of the closing of the Shares (being $0.323) on the Stock Exchange for the five trading days immediately preceding the date of passing of the Resolutions. Therefore, the Subscription Price complied with the requirements contained in the Share Option Scheme and the Listing Rules of the Stock Exchange.

For acceptance of Share Options granted by the Company, an eligible participant is required to remit $1.00 to the Company at the principal place of business of the Company in Hong Kong within 21 days from the date of receiving the offer of the options. As at 17 August 2007, 53 eligible participants accepted the offer of Share Options granted by the Company. No further Share Options have been granted since that date.

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

			Options granted		
Date granted	**Vesting period**	**Exercise period**	**Directors**	**Employees**	**Total**
			'000	'000	'000
17 August 2007	–	17 August 2007 to 31 July 2009	9,025	12,350	21,375
	17 August 2007 to 31 October 2007	1 November 2007 to 31 July 2009	9,025	12,350	21,375
	17 August 2007 to 31 January 2008	1 February 2008 to 31 July 2009	9,025	12,350	21,375
	17 August 2007 to 30 April 2008	1 May 2008 to 31 July 2009	9,025	12,350	21,375
			36,100	49,400	85,500

Pursuant to the rules of the Share Option Scheme, Share Options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

25 SHARE OPTION SCHEME (CONTINUED)

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

	2008		2007	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	–	–	$0.18	27,761
Exercised during the year	–	–	$0.18	(27,761)
Granted during the year	$0.323	85,500	–	–
Outstanding at the end of the year	$0.323	85,500	–	–
Exercisable at the end of the year	$0.323	85,500	–	–

The weighted average share price at the date of exercise for share options exercised during the year was nil (2007: $0.34).

The Share Options outstanding at 31 July 2008 had an exercise price of $0.323 (2007: Nil) and a weighted average remaining contractual life of one year (2007: Nil).

(c) Fair value of Share Options and assumptions

The fair value of services received in return for Share Options granted is measured by reference to the fair value of Share Options granted. The estimate of the fair value of the Share Options granted is measured based on a Binomial Option Pricing model ("Binomial Model").

Fair value of options and assumptions	
Fair value at measurement date (weighted average)	$6,555,713
Share price at valuation date	$0.275
Exercise price	$0.323
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial Model)	79%
Option life (expressed as weighted average life used in the modelling under the Binomial Model)	1.96 years
Expected dividend yield	2.76%
Risk-free interest rate (based on the yield of Exchange Fund Notes at the grant date)	3.947%

The expected volatility is based on the average annualised standard deviations of the continuously compounded rates of return on the Company's share prices as the valuation date. Expected dividends are based on historical dividends. The risk-free rate is referenced to the yields of Exchange Fund Notes as of the grant date quoted by Hong Kong Monetary Authority.

There were no market conditions associated with the option grants.

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2008	2007
	$'000	$'000
Provision for PRC income tax for the year	**4,579**	8,615
Tax paid	**(3,696)**	(9,532)
	883	(917)
Balance of income tax provision relating to prior years	**–**	917
PRC income tax payable	**883**	–

(b) Deferred tax liabilities recognised:

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

	The Group
	Withholding tax on future dividend income from PRC subsidiaries
	$'000
Deferred tax arising from:	
At 1 August 2007 and 31 July 2007	–
At 1 August 2007	–
Charged to profit or loss	2,046
At 31 July 2008	2,046

(c) Deferred tax assets not recognised:

No deferred tax assets in respect of accumulated tax losses of $40,534,000 (2007: $38,742,000) have been recognised as it is not probable that the future taxable profits against which the losses can be utilised will be generated. The tax losses incurred by subsidiaries incorporated in the PRC expire five years after they are incurred. In addition, other deferred tax assets or liabilities have not been recognised as all the deductible or temporary differences are not material.

27 SHARE CAPITAL

(a) Share capital

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

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

Terms of unexpired and unexercised share options at balance sheet date

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

Each Share Option entitles the holder to subscribe for one ordinary share in the Company. Further details of these Share Options are set out in note 25 to the financial statements.

27 SHARE CAPITAL (CONTINUED)

(b) Capital management

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

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

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

During the year ended 31 July 2008, the Group's strategy, which was unchanged from 2007, was to maintain the net debt-to-adjusted capital ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 SHARE CAPITAL (CONTINUED)

(b) Capital management (continued)

The net debt-to-adjusted capital ratio at 31 July 2008 and 2007 was as follows:

	The Group	
	2008	2007
	$'000	$'000
Current liabilities:		
Trade and other payables (note 22)	319,531	294,561
Interest-bearing borrowings (note 23)	354,316	523,651
Obligations under finance leases (note 24)	3,270	3,676
Loan from a substantial shareholder (note 32(c))	4,899	4,914
	682,016	826,802
Non-current liabilities:		
Interest-bearing borrowings (note 23)	318,613	190,275
Obligations under finance leases (note 24)	–	3,297
Loan from a substantial shareholder (note 32(c))	14,697	19,658
Total debt	1,015,326	1,040,032
Add: Proposed dividends (note 11(a))	–	8,670
Less: Deposits with banks (note 20)	(56,159)	(65,527)
Cash and cash equivalents (note 21)	(115,626)	(121,248)
Net debt	843,541	861,927
Total equity	534,845	460,431
Less: Proposed dividends (note 11(a))	–	(8,670)
Adjusted capital	534,845	451,761
Net debt-to-adjusted capital ratio	158%	191%

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

28 RESERVES

(a) The Group

		Attributable to equity holders of the Company								
	Note	Share premium $'000 (note 28(b)(i))	Capital reserve $'000 (note 28(b)(i))	Foreign exchange translation reserve $'000 (note (i))	Statutory reserve fund $'000 (note (ii))	Employee share-based capital reserve $'000 (note 28(b)(ii))	Retained profits $'000	Total $'000	Minority interests $'000	Total $'000
At 1 August 2006		67,111	25,094	16,008	22,923	1,254	200,063	332,453	5,110	337,563
Shares issued under Share Option Scheme		4,895	–	–	–	(1,286)	–	3,609	–	3,609
Equity settled share-based transactions	25	–	–	–	–	32	–	32	–	32
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	33,606	–	–	–	33,606	–	33,606
Dividend approved in respect of previous year		–	(6,840)	–	–	–	–	(6,840)	(579)	(7,419)
Appropriation of reserves		–	–	–	6,117	–	(6,117)	–	–	–
Profit for the year		–	–	–	–	–	50,137	50,137	(446)	49,691
At 31 July 2007		72,006	18,254	49,614	29,040	–	244,083	412,997	4,085	417,082
At 1 August 2007		72,006	18,254	49,614	29,040	–	244,083	412,997	4,085	417,082
Equity settled share-based transactions	25	–	–	–	–	6,556	–	6,556	–	6,556
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		–	–	65,386	–	–	–	65,386	–	65,386
Dividend approved in respect of previous year		–	(8,670)	–	–	–	–	(8,670)	–	(8,670)
Appropriation of reserves		–	–	–	10,095	–	(10,095)	–	–	–
Profit for the year		–	–	–	–	–	11,464	11,464	(322)	11,142
At 31 July 2008		72,006	9,584	115,000	39,135	6,556	245,452	487,733	3,763	491,496

Notes:

(i) Foreign exchange translation reserve

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

(ii) Statutory reserve fund

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

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

28 RESERVES (CONTINUED)

(b) The Company

	Note	Share premium $'000 (note (i))	Contributed surplus $'000 (note (i))	Employee share-based capital reserve $'000 (note (ii))	Retained profits $'000	Total $'000
At 1 August 2006		67,111	154,216	1,254	14,912	237,493
Shares issued under Share Option Scheme	27	4,895	–	(1,286)	–	3,609
Equity settled share-based transactions		–	–	32	–	32
Dividend approved in respect of the previous year		–	(6,840)	–	–	(6,840)
Loss for the year (note 10)		–	–	–	(3,747)	(3,747)
At 31 July 2007		72,006	147,376	–	11,165	230,547
At 1 August 2007		72,006	147,376	–	11,165	230,547
Equity settled share-based transactions		–	–	6,556	–	6,556
Dividend approved in respect of the previous year		–	(8,670)	–	–	(8,670)
Profit for the year (note 10)		–	–	–	10,011	10,011
At 31 July 2008		72,006	138,706	6,556	21,176	238,444

Notes:

(i) Share premium, capital reserve and contributed surplus

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

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

(ii) Employee share-based capital reserve

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

(iii) Distributable reserves

As 31 July 2008, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to $238,444,000 (2007: $230,547,000) subject to the restrictions stated above. After the balance sheet date, the directors do not recommend a payment of final dividend for the year ended 31 July 2008 (2007: 1.0 cent per ordinary share, amounting to $8,670,000). This dividend proposed in last year had not been recognised as a liability at the balance sheet date.

29 FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 12% (2007: 18%) and 30% (2007: 35%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

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

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

(b) Liquidity risk

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

29 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

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

The Group

	2008					2007				
	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000
Trade and other payables	319,531	319,531	319,531	-	-	294,561	294,561	294,561	-	-
Interest-bearing borrowings	672,929	786,542	396,511	102,067	287,964	713,926	786,335	560,894	29,679	195,762
Obligations under finance leases	3,270	3,357	3,357	-	-	6,973	7,488	4,065	3,423	-
Loans from a substantial shareholder	19,596	21,337	5,704	5,463	10,170	24,572	27,371	5,973	5,722	15,676
	1,015,326	1,130,767	725,103	107,530	298,134	1,040,032	1,115,755	865,493	38,824	211,438

The Company

	2008			2007		
	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000	Carrying amount $'000	Total contractual undiscounted cash flows $'000	Within 1 year or on demand $'000
Other payables	3,022	3,022	3,022	10,612	10,612	10,612
Amounts due to subsidiaries	137,720	137,720	137,720	108,742	108,742	108,742
	140,742	140,742	140,742	119,354	119,354	119,354

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The interest rates and terms of repayment of the interest-bearing borrowings of the Group and disclosed in note 23. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

(i) Interest rate profile

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

	The Group			
	2008		2007	
	Effective interest rates %	Amount $'000	Effective interest rates %	Amount $'000
Fixed rate borrowings:				
Loans from a substantial shareholder	5.0%	19,596	5.0%	24,572
Bank loans	6.6%	80,516	6.5%	490,957
		100,112		515,529
Variable rate borrowings:				
Bank overdrafts	7.6%	5,565	9.8%	778
Bank loans	7.4%	586,848	7.3%	222,191
Finance lease liabilities	7.1%	3,270	7.1%	6,973
		595,683		229,942
Total net borrowings		695,795		745,471
Fixed rate borrowings as a percentage of total net borrowings		14.4%		69.2%

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 July 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $5,135,000 (2007: $4,324,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis has been performed on the same basis for 2007.

(d) Currency risk

(i) Forecast transactions

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

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

As the HKD is pegged to the USD, the Group does not expect any significant currency risk of Hong Kong dollar position. Some of the Group's sale transactions are denominated in USD. In view of the appreciation of RMB against USD during the year ended 31 July 2008, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD. In view of the foreign currency risk exposure, the Group has entered into certain forward exchange contracts with aggregate notional contract amounts of US$83,350,000 to hedge against the trade receivables denominated in USD.

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

As at 31 July 2008, the notional amounts of the outstanding forward foreign exchange contracts were US$64,000,000. The outstanding forward foreign exchange contracts will expire within one year. As at 31 July 2008, the aggregate fair value of the loss relating to outstanding forward foreign exchange contracts amounted to $593,000 (2007: gain of $5,737,000) and has been recognised as derivative financial instruments. The changes in fair value of the forward foreign exchange contracts are recognised in the income statement (see note 4).

29 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Recognised assets and liabilities

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

The Group's borrowings are mainly denominated in USD, HKD and RMB. In view of the appreciation of RMB against the USD/HKD, the Group adopts a policy to increase the portion of USD/HKD denominated borrowings as compared to RMB denominated borrowings gradually. The balance of USD/HKD and RMB denominated borrowings as at 31 July 2008 amounted to $556,429,000 (2007: $330,968,000) and $139,366,000 (2007: $414,503,000) respectively.

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

	The Group											
	USD		HKD		RMB		Japanese Yen		Euros		Singapore Dollars	
	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000
Trade and other receivables	4,660	5,833	19,935	12,466	39,196	34,468	–	6,362	–	–	–	–
Deposits with banks	1,436	1,373	–	–	10,680	–	–	–	–	–	–	–
Cash and cash equivalents	1,904	878	2,215	30,113	41,218	65,403	–	–	–	–	–	–
Trade and other payables	(995)	(2,691)	(11,855)	(8,619)	(94,614)	(85,534)	(2,176)	(89,778)	(16)	(105)	(566)	–
Interest-bearing borrowings	(18,960)	(18,900)	(257,600)	(50,000)	(82,150)	(342,413)	–	–	–	–	–	–
Overall net exposure	(11,955)	(13,507)	(247,305)	(16,040)	(85,670)	(328,076)	(2,176)	(83,416)	(16)	(105)	(566)	–

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

29 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Recognised assets and liabilities (continued)

Sensitivity analysis

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

	2008		2007	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits $'000
USD	8 %	(2,702)	5 %	1,975
	(8%)	2,702	(5%)	(1,975)
RMB	8 %	(14,625)	10 %	(57,206)
Japanese Yen	5 %	(15)	3 %	(269)
	(5%)	15	(3%)	269
Euros	8 %	(23)	8 %	(164)
	(8%)	23	(8%)	164
Singapore Dollars	5 %	(292)	5 %	–
	(5%)	292	(5%)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis has been performed on the same basis for 2007.

29 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 July 2008 and 2007.

(f) Estimation of fair value

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

(i) Derivatives

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

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

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

(iii) Financial guarantees

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

(iv) Interest rate used for determining fair value

The market interest rates adopted are as follows:

	The Group	
	2008	2007
Loans and borrowings	**6.0%-8.2%**	5.9%-8.1%
Finance lease liabilities	**5.3%-7.3%**	5.2%-8.7%

30 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 July 2008 not provided for in the financial statements are as follows:

	The Group	
	2008	2007
	$'000	$'000
Contracted for	**120,514**	11,119
Authorised but not contracted for	**–**	253
	120,514	11,372

(b) Operating lease commitments

The Group leases a number of properties under operating leases. The leases typically run for periods from one year to three years with an option to renew the lease upon expiry when all terms are renegotiated. Lease charges in respect of these operating leases amounted to $10,476,000 (2007: $10,494,000) were recognised as expenses in the consolidated income statement. None of the leases includes contingent rentals.

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

	The Group	
	2008	2007
	$'000	$'000
Within one year	**1,796**	1,494
After one but within five years	**–**	820
	1,796	2,314

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

31 CONTINGENT LIABILITIES

At 31 July 2008, contingent liabilities of the Company were as follows:

	The Company	
	2008	2007
	$'000	$'000
Guarantees given to banks by the Company in respect of finance lease obligations of a subsidiary	**3,270**	6,973
Guarantees given to banks by the Company in respect of banking facilities utilised by certain subsidiaries	**566,902**	540,988
Guarantees given to a bank by the Company in respect of banking facilities utilised by an associate	**–**	2,234
Guarantees given to suppliers of credit facilities utilised by certain subsidiaries	**5,534**	8,823
	575,706	559,018

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

32 MATERIAL RELATED PARTY TRANSACTIONS

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

	The Group	
	2008	2007
	$'000	$'000
Sales to a substantial shareholder	**22,206**	600
Sales to associates	**–**	949
Sales to a minority shareholders of VSA(HK)	**20,130**	21,233
	42,336	22,782

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2008	2007
	$'000	$'000
Interest paid and payable to a substantial shareholder (note 32(c))	**1,053**	1,300
Royalty fee paid and payable to a minority shareholder of VSA(HK)	**1,052**	782
Technical advisory fee paid and payable to a minority shareholder of VSA(HK)	**2,177**	1,159
Operating lease charges paid and payable to a company controlled by a director	**7,360**	8,400
Operating lease charges received and receivable from associates (note (i))	**1,014**	950
Purchase of raw materials from an associate	**1,086**	1,807
Management fee paid and payable to a company controlled by a director	**532**	607
Sub-contracting fee paid and payable to an associate	**–**	237
Sub-contracting fee paid and payable to a substantial shareholder	**–**	44
Sub-contracting fee paid and payable to a company controlled by the family member of a director	**6,798**	4,522
Dividends paid to minority shareholders of VSA (HK)	**–**	579

Notes:

(i) The Group has disposed of the equity investments in Wako VS HK and Wako VS Zhuhai during the year. The related party transaction represented the transaction with these companies during the year ended 31 July 2008. After disposal, the associates were no longer considered as the related party of the Group as at 31 July 2008.

(ii) The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms or on terms described above in the ordinary course of business of the Group.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2008	2007
	$'000	$'000
Amount due from a minority shareholder of VSA(HK)	**1,444**	2,011
Amount due from a company controlled by a director	**5,803**	2,549
Amount due from associates	**5,157**	4,982
Amount due from a substantial shareholder	**2,570**	68
	14,974	9,610

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

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

	The Group			
	2008		2007	
	Trade and other payables $'000	**Loan from a substantial shareholder* $'000**	Trade and other payables $'000	Loan from a substantial shareholder* $'000
Amount due to directors	**1,095**	**–**	8,250	–
Amount due to a company controlled by a director	**33**	**–**	49	–
Amount due to a company controlled by the family member of a director	**2,432**	**–**	680	–
Amount due to associates	**272**	**–**	265	–
Amount due to a minority shareholder of VSA(HK)	**552**	**–**	79	–
Amount due to a substantial shareholder				
– current portion	**1,744**	**4,899**	616	4,914
– non-current portion	**–**	**14,697**	–	19,658
	6,128	**19,596**	9,939	24,572

* Pursuant to the loan agreement entered into between the Group and the substantial shareholder dated 20 January 2002, the loan, which amounted to US$6,279,000 (equivalent to $48,916,000) as at the date of the loan agreement is repayable in twenty equal consecutive half-yearly instalments on 1 February and 1 August each year commencing on 1 August 2002. The loan is unsecured and carries interest at 5% per annum (2007: 5%) on the outstanding balance. Interest paid and payable to the substantial shareholder, amounted to $1,053,000 (2007: $1,300,000) for the year ended 31 July 2008.

Except for the loan from a substantial shareholder of the Company, the amounts due to other related parties are interest free, unsecured and have no fixed terms of repayment.

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

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

33 NON-ADJUSTING POST BALANCE SHEET EVENT

The Group has entered into an agreement to acquire a 51% equity interest in Heilongjiang Savoy Minerals Co., Ltd. ("Heilongjiang Savoy Minerals"), which registered in the PRC, the principal activity of which is natural resource exploration of natural resources in Heilongjiang province in the PRC. As discussed in note 19, the agreement will become effective upon certain approvals being granted by local authorities. As at 31 July 2008, the Group has paid the first instalment of $8,035,000.

The acquisition was subsequently approved by local authorities on 1 August 2008 and the revised business license and certificate of approval were revised accordingly. Directors are of the view that the acquisition is now complete and that the Group's control of Heilongjiang Savoy Minerals was effective in August 2008.

34 COMPARATIVE FIGURES

As a result of adopting HKFRS 7 "*Financial instruments: Disclosures*" and the amendments to HKAS 1 "*Presentation of financial statements: Capital disclosures*", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 2.

In addition, the net foreign exchange gain/loss, change in fair value of forward foreign exchange contracts and net realised gain/loss on forward foreign exchange contracts among "administrative expense" as shown on the face of the consolidated income statement for the year ended 31 July 2007 have been reclassified to "other net income" to conform with the current year's presentation. The directors of the Company consider that the revised presentation reflects more appropriately the nature of these balances.

35 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Going concern basis of preparation

As disclosed in note 1(b), the financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including business forecasts and cash flow projections for the year ended 31 July 2009. Such forecasts and projections about the future inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

35 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Depreciation

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

(c) Provision for inventories

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

(d) Impairment losses for bad and doubtful debts

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

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 JULY 2008

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

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

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Beh Kim Ling *(Chairman)*

Gan Sem Yam *(Managing Director)*

Gan Chu Cheng *(Finance Director)*

Zhang Pei Yu

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew

Cheung Kwan Hung, Anthony

Tang Sim Cheow

AUDIT COMMITTEE OF THE BOARD

Diong Tai Pew *(Chairman of the Audit Committee)*

Cheung Kwan Hung, Anthony

Tang Sim Cheow

REMUNERATION COMMITTEE OF THE BOARD

Cheung Kwan Hung, Anthony
(Chairman of the Remuneration Committee)

Beh Kim Ling

Diong Tai Pew

COMPANY SECRETARY

Goh Thian Song, FCCA, CPA

QUALIFIED ACCOUNTANT

Goh Thian Song, FCCA, CPA

REGISTERED OFFICE

Cricket Square
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KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4106, 41st Floor
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1 Harbour Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central, Hong Kong

AUDITORS

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

PRINCIPAL BANKERS

Malayan Banking Berhad
Shenzhen Development Bank Co., Ltd.
Industrial & Commercial Bank of China Ltd.
Agricultural Bank of China

SUBSIDIARIES

V.S. International Industry Limited
V.S. Holding Vietnam Limited
V.S. Resources Holding Limited
P.O. Box 957, Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

V.S. Investment Holdings Limited
Belmont Chambers, P.O. Box 3443
Road Town, Tortola
British Virgin Islands

V.S. Corporation (Hong Kong) Co., Limited
VSA Holding Hong Kong Co., Limited
V.S. Capital Holdings Limited
41st Floor, Jardine House
1 Connaught Place
Central, Hong Kong
Tel. No: (852) 2511 9002
Fax No: (852) 2511 9880

VSHK Processing Factory
V.S. Industry (Shenzhen) Co., Ltd.
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518104 Shenzhen
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The People's Republic of China
Tel. No: (86) 755 2729 9480
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V.S. Technology Industry Park (Zhuhai) Co., Ltd.
V.S. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
Guangdong Province
The People's Republic of China
Tel. No: (86) 756 3392 338
Fax No: (86) 756 3385 691/681

Qingdao GS Electronics Plastic Co., Ltd.
Haivs Industry (Qingdao) Co., Ltd.
Qianwangang Road South
Haier International Industrial Park
Qingdao Economic and Technology Development Zone
Huangdao District
266510 Qingdao
Shandong Province
The People's Republic of China
Tel. No: (86) 532 8676 2188
Fax No: (86) 532 8676 2233

Qingdao GP Electronic Plastics Co., Ltd.
Qingdao GP Precision Mold Co., Ltd.
Hetao Export Processing Zone
Chengyang District
266113 Qingdao
Shangdong Provine
The People's Republic of China
Tel, No: (86) 532 8792 3666
Fax No: (86) 532 8792 3660

ASSOCIATED COMPANIES

VS-Usotor (Zhuhai) Co., Ltd.
Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
Guangdong Province
The People's Republic of China
Tel. No: (86) 756 3392 338
Fax No: (86) 756 3394 990

VS Industry Vietnam Joint Stock Company
Quevo Industrial Park, Vanduong Commune
Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 241 634 300
Fax No: (84) 241 634 308

1 MAJOR PROPERTY UNDER DEVELOPMENT

Location	Intended use	Expected date of completion	Site area (sq.m.)	Group interest (%)
Outside Hong Kong				
Vacant land situated at Beisha Village Tangjia Wan Town Xiangzhou District Zhuhai Guangdong Province The People's Republic of China	Industrial	July 2009	39,600	100

2 MAJOR PROPERTIES HELD FOR OWN USE

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

Five Years Summary

(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Results						
Turnover		**1,374,223**	1,495,291	1,402,260	1,226,909	1,021,218
Profit from operations		**58,228**	118,049	110,630	78,925	46,085
Finance costs		**(47,650)**	(54,961)	(53,453)	(45,611)	(39,961)
Share of profit less losses of associates		**1,903**	(4,782)	(5,446)	(3,296)	–
Gain on disposal of associates		**5,286**	–	–	–	–
Profit before taxation		**17,767**	58,306	51,731	30,018	6,124
Income tax		**(6,625)**	(8,615)	(6,291)	(4,082)	(3,225)
Profit for the year		**11,142**	49,691	45,440	25,936	2,899
Attributable to:						
Equity shareholders of the Company		**11,464**	50,137	45,323	24,587	2,177
Minority interests		**(322)**	(446)	117	1,349	722
Profit for the year		**11,142**	49,691	45,440	25,936	2,899
Assets and liabilities						
Non-current assets		**870,664**	822,391	759,813	759,065	846,713
Current assets		**682,436**	678,072	687,857	707,322	585,579
Total assets		**1,553,100**	1,500,463	1,447,670	1,466,387	1,432,292
Current liabilities		**(682,899)**	(826,802)	(799,995)	(821,601)	(688,727)
Non-current liabilities		**(335,356)**	(213,230)	(268,151)	(314,982)	(445,558)
NET ASSETS		**534,845**	460,431	379,524	329,804	298,007
Share capital		**43,349**	43,349	41,961	41,000	41,000
Reserves		**487,733**	412,997	332,453	283,291	252,843
Minority interests		**3,763**	4,085	5,110	5,513	4,164
TOTAL EQUITY		**534,845**	460,431	379,524	329,804	298,007
Earnings per share						
Basic		**1.32 cents**	5.87 cents	5.48 cents	3.00 cents	0.27 cents
Diluted	2	**1.32 cents**	5.83 cents	5.45 cents	3.00 cents	N/A

Notes:

(1) 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. Pursuant to the reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the main board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. The Group has been treated as a continuing entity and, accordingly, the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group since 1 August 1998, rather than 20 January 2002.

(2) The calculation of diluted earnings per share for the years ended 31 July 2007 and 2008 was based on the profit attributable to ordinary shareholders of $50,137,000 and $11,464,000 respectively and the weighted average number of ordinary shares of 859,502,362 and 866,976,000 shares respectively after adjusting for the effects of all dilutive potential ordinary shares under the Share Option Scheme which was approved by the shareholders on 17 August 2007 whereby Directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. No potential dilutive ordinary shares were in issue as at 31 July 2004.