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

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

Interim Report 2011/12

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Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Gan Tiong Sia

Independent non-executive Directors
Diong Tai Pew
Lee Soo Gee
Tang Sim Cheow

AUDIT COMMITTEE OF THE BOARD

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

REMUNERATION COMMITTEE OF THE BOARD

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

NOMINATION COMMITTEE OF THE BOARD

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

COMPANY SECRETARY

Ng Ting On, Polly

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House, 68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

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

AUDITORS

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

PRINCIPAL BANKERS

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

Corporate Information

SUBSIDIARIES

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. Industry Holding Limited
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong
Tel. No: (852) 2511 9002
Fax No: (86) 756 3385 681

V.S. Technology Industry Park (Zhuhai) Co., Ltd.
V.S. Industry (Zhuhai) Co., Ltd.
VSA Electronics Technology (Zhuhai) Co., Ltd.
V.S. Electronics (Zhuhai) Co., Ltd.
V.S. Industry (Shenzhen) Co., Ltd.
Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
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Tel. No: (86) 756 6295 888
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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 2881
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 Province
The People's Republic of China
Tel. No: (86) 532 5567 7308
Fax No: (86) 532 5567 7322

ASSOCIATED COMPANY

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

Introduction

The board ("Board") of directors ("Directors") of V.S. International Group Limited ("Company") submits herewith the interim financial report of the Company and its subsidiaries (together, the "Group") for the six months ended 31 January 2012, which has not been audited by the auditors of the Group, KPMG, but has been reviewed by KPMG and the audit committee ("Audit Committee") of the Board.

Consolidated Income Statement (Unaudited)

For the six months ended 31 January 2012
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 January 2012 $'000	2011 $'000
Turnover	3	862,332	867,911
Cost of sales		(759,373)	(780,810)
Gross profit		102,959	87,101
Other net (loss)/income	4	(10,916)	9,444
Distribution costs		(35,041)	(32,970)
Administrative expenses		(42,076)	(50,869)
Profit from operations		14,926	12,706
Finance costs	5(a)	(19,475)	(19,743)
Share of profits less losses of associates		(879)	1,805
Loss before taxation	5	(5,428)	(5,232)
Income tax (expense)/credit	6(a)	(6,822)	46
Loss for the period		(12,250)	(5,186)
Attributable to:			
Equity shareholders of the Company		(12,339)	(5,238)
Non-controlling interests		89	52
Loss for the period		(12,250)	(5,186)
Loss per share	7		
Basic		(1.07) cents	(0.60) cents
Diluted		(1.07) cents	(0.60) cents

The notes on pages 13 to 53 form part of this interim financial report.

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 January 2012
(Expressed in Hong Kong dollars)

	Six months ended 31 January	
	2012	2011
	$'000	$'000
Loss for the period	(12,250)	(5,186)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	10,851	16,623
Total comprehensive (loss)/income for the period	(1,399)	11,437
Attributable to:		
Equity shareholders of the Company	(1,488)	11,385
Non-controlling interests	89	52
Total comprehensive (loss)/income for the period	(1,399)	11,437

The notes on pages 13 to 53 form part of this interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 31 January 2012
(Expressed in Hong Kong dollars)

	Note	At 31 January 2012 $'000	At 31 July 2011 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		717,384	782,464
– Interests in leasehold land held for own use under operating leases		25,635	25,555
	8	743,019	808,019
Goodwill	9	2,172	2,172
Interests in associates	10	25,505	27,047
Deferred assets	12(d)	12,249	6,602
		782,945	843,840
Current assets			
Inventories	11	196,026	245,006
Trade and other receivables	12	410,167	463,454
Deposits with banks	13	34,075	60,733
Cash and cash equivalents	14	112,165	115,332
		752,433	884,525
Current liabilities			
Trade and other payables	15	413,361	525,036
Interest-bearing borrowings	16	363,843	454,886
Obligations under finance leases	17	2,695	7,962
Loan from a substantial shareholder	22(c)	2,435	4,894
Current taxation	6(b)	7,682	7,519
		790,016	1,000,297
Net current liabilities		(37,583)	(115,772)
Total assets less current liabilities		745,362	728,068

Consolidated
Statement of Financial Position (Unaudited)

At 31 January 2012
(Expressed in Hong Kong dollars)

	Note	At 31 January 2012 $'000	At 31 July 2011 $'000
Non-current liabilities			
Other payables	15(b)	-	6,303
Interest-bearing borrowings	16	272,712	248,814
Deferred tax liabilities	6(c)	2,229	1,745
		274,941	256,862
NET ASSETS		470,421	471,206
CAPITAL AND RESERVES			
Share capital	19	57,798	57,798
Reserves		409,904	410,778
Total equity attributable to equity shareholders of the Company		467,702	468,576
Non-controlling interests		2,719	2,630
TOTAL EQUITY		470,421	471,206

The notes on pages 13 to 53 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 January 2012
(Expressed in Hong Kong dollars)

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

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 January 2012
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital $'000	Share premium $'000	Capital reserves $'000	Foreign exchange translation reserve $'000	Statutory reserve fund $'000	Employee share-based capital reserve $'000	Retained profits $'000	Total $'000	Non–controlling interests $'000	Total $'000
At 1 February 2011		43,349	72,006	9,584	135,659	44,015	4,208	158,739	467,560	2,793	470,353
Changes in equity for the period											
Loss for the period		–	–	–	–	–	–	(55,809)	(55,809)	(163)	(55,972)
Other comprehensive income		–	–	–	22,878	–	–	–	22,878	–	22,878
Total comprehensive loss for the period		–	–	–	22,878	–	–	(55,809)	(32,931)	(163)	(33,094)
Equity settled share-based transactions		–	–	–	–	–	1,299	–	1,299	–	1,299
Issuance of shares by rights issue	19	14,449	18,199	–	–	–	–	–	32,648	–	32,648
At 31 July 2011		57,798	90,205	9,584	158,537	44,015	5,507	102,930	468,576	2,630	471,206

Consolidated
Statement of Changes in Equity (Unaudited)

For the six months ended 31 January 2012
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital $'000	Share premium $'000	Capital reserves $'000	Foreign exchange translation reserve $'000	Statutory reserve fund $'000	Employee share-based capital reserve $'000	Retained profits $'000	Total $'000	Non–controlling interests $'000	Total $'000
At 1 August 2011	57,798	90,205	9,584	158,537	44,015	5,507	102,930	468,576	2,630	471,206
Changes in equity for the period										
Loss for the period	–	–	–	–	–	–	(12,339)	(12,339)	89	(12,250)
Other comprehensive income	–	–	–	10,851	–	–	–	10,851	–	10,851
Total comprehensive loss for the period	–	–	–	10,851	–	–	(12,339)	(1,488)	89	(1,399)
Equity settled share-based transactions	–	–	–	–	–	614	–	614	–	614
Share options lapsed during the year (note 18(b))	–	–	–	–	–	(1,017)	1,017	–	–	–
At 31 January 2012	57,798	90,205	9,584	169,388	44,015	5,104	91,608	467,702	2,719	470,421

The notes on pages 13 to 53 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 31 January 2012
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 January 2012 $'000	2011 $'000
Cash generated from operations		82,958	60,972
Income tax paid by the subsidiaries in the People's Republic of China ("PRC")		(6,175)	(4,647)
Net cash generated from operating activities		76,783	56,325
Net cash generated from/(used in) investing activities		19,449	(38,177)
Net cash used in financing activities		(94,661)	(21,085)
Net increase/(decrease) in cash and cash equivalents		1,571	(2,937)
Cash and cash equivalents at 1 August	14	94,939	70,255
Effect of foreign exchange rates changes		(3,826)	(4,486)
Cash and cash equivalents at 31 January	14	92,684	62,832

The notes on pages 13 to 53 form part of this interim financial report.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "*Interim financial reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 24 March 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 July 2011, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 July 2011. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION (CONTINUED)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the HKICPA. KPMG's independent review report to the board of directors included on pages 67 to 68.

The financial information relating to the financial year ended 31 July 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 July 2011 are available from the Company's registered office. The auditors have expressed a modified opinion on those financial statements in their report dated 24 September 2011.

As at 31 January 2012, the Group's current liabilities exceeded its current assets by $37,583,000 and the Group incurred a loss of $12,250,000 for the period ended 31 January 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 January 2012, the Group had undrawn banking facilities totalling $177,511,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew its current bank loans upon expiry or to obtain additional banking facilities in order to improve the liquidity position. The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew the current bank loans upon expiry or secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the interim financial report has been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been affected in this interim financial report.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets
- Amendments to HKAS 12, Income taxes – Deferred tax: Recovery of underlying assets

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

These developments have not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

3 SEGMENT REPORTING

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

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

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

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

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

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

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

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

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

3 SEGMENT REPORTING (CONTINUED)

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

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Six months ended 31 January:								
Turnover from external customers	522,749	500,368	277,222	317,493	62,361	50,050	862,332	867,911
Reportable segment revenue	522,749	500,368	277,222	317,493	62,361	50,050	862,332	867,911
Reportable segment result	23,702	16,681	8,516	24,474	16,330	5,203	48,548	46,358
At 31 January/31 July:								
Reportable segment assets	873,561	920,955	266,782	329,703	129,252	158,365	1,269,595	1,409,023
Addition to non-current segment assets during the period/year	3,416	15,175	1,684	1,513	1,942	3,799	7,042	20,487
Reportable segment liabilities	234,882	266,355	101,666	147,531	14,386	33,060	350,934	446,946

3 SEGMENT REPORTING (CONTINUED)

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

	Six months ended 31 January	
	2012	2011
	$'000	$'000
Revenue		
Reportable segment revenue	862,332	867,911
Consolidated turnover	862,332	867,911

	Six months ended 31 January	
	2012	2011
	$'000	$'000
Profit		
Reportable segment profit	48,548	46,358
Share of profits less losses of associates	(879)	1,805
Finance costs	(19,475)	(19,743)
Unallocated depreciation and amortisation	(2,991)	(3,985)
Unallocated operating income and expenses	(30,631)	(29,667)
Consolidated loss before taxation	(5,428)	(5,232)

	At 31 January	At 31 July
	2012	2011
	$'000	$'000
Assets		
Reportable segment assets	1,269,595	1,409,023
Interests in associates	25,505	27,047
Unallocated head office and corporate assets	240,278	292,295
Consolidated total assets	1,535,378	1,728,365

3 SEGMENT REPORTING (CONTINUED)

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Liabilities		
Reportable segment liabilities	350,934	446,946
Unallocated head office and corporate liabilities	714,023	810,213
Consolidated total liabilities	1,064,957	1,257,159

(c) Geographical segments

The Group's business participates in seven (2011: seven) major economic environments.

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

Turnover from external customers is analysed as follows:

	Six months ended 31 January 2012 $'000	2011 $'000
PRC (other than Taiwan and Hong Kong)	467,509	419,033
Hong Kong	122,324	164,357
United States of America	143,849	108,354
Northern Asia	53,084	77,817
Europe	45,699	53,730
South East Asia	29,321	11,729
South Africa	546	32,891
	862,332	867,911

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER NET (LOSS)/INCOME

	Six months ended 31 January	
	2012	2011
	$'000	$'000
Interest income	355	945
Rentals receivable from operating leases	–	33
Net foreign exchange gains	1,333	3,958
Net loss on disposal of fixed assets	(19,696)	(2,064)
Reversal of impairment losses on acquisition deposits (note (i))	–	4,752
Fines by local authorities (note (ii))	–	(2,280)
Net income from sales of scrap materials	1,277	2,271
Change in fair value of forward exchange contracts (note (iii) and note 12)	1,843	138
Net gain on forward foreign exchange contracts	2,795	2,004
Gain on disposal of an associate (note 10)	937	–
Others	240	(313)
	(10,916)	9,444

4 OTHER NET (LOSS)/INCOME (CONTINUED)

Notes:

(i) On 19 June 2008, the Group entered into an agreement with an independent third party to invest RMB21,823,000 (equivalent to approximately $24,442,000), as a capital injection, to acquire 51% equity interest in Heilongjiang Savoy Minerals Co., Limited ("Heilongjiang Savoy"), which is registered in the PRC, the principal activity of which is the exploration for natural resources in Heilongjiang Province in the PRC. The agreement would be effective when the capital injection and verification process is completed.

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

On 10 August 2009, resolutions were passed by the directors of Heilongjiang Savoy to approve an extension of the due date for settlement of the remaining balance of RMB14,797,000 (equivalent to approximately $16,407,000) from 31 July 2009 to 31 December 2009. The capital injection had not been completed as at 31 July 2010. Management decided to abort the plan to invest in Heilongjiang Savoy and was doubtful in recovering the deposits paid to Heilongjiang Savoy. Provision of $8,035,000 was made during the year ended 31 July 2010.

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

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

(iii) In order to minimise the foreign currency risk exposure, the Group entered into certain forward exchange contracts with aggregate notional contract amounts of US$59,250,000 for the period ended 31 January 2012 (31 January 2011: US$7,000,000). The outstanding forward exchange contracts will expire within one year. The aggregate fair value of the outstanding forward exchange contracts amounted to $1,843,000 as at 31 January 2012 (31 July 2011: $1,391,000) has been recognised as derivative financial instruments. The changes in fair value of the forward exchange contracts were recognised in profit or loss.

5 LOSS BEFORE TAXATION

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

	Six months ended 31 January 2012 $'000	Six months ended 31 January 2011 $'000
(a) Finance costs:		
Interest on bank advances repayable within five years	16,431	16,046
Interest on loan from a substantial shareholder	62	186
Finance charges on obligations under finance leases	241	604
Total borrowing costs	16,734	16,836
Less: borrowing costs capitalised as construction in progress *	(51)	(32)
	16,683	16,804
Other charges	2,792	2,939
	19,475	19,743

* The borrowing costs have been capitalised at an average cost of borrowings to the Group of 4.84% (2011: 4.01%) per annum for construction in progress.

5 LOSS BEFORE TAXATION (CONTINUED)

	Six months ended 31 January 2012 $'000	2011 $'000
(b) Other items:		
Cost of inventories	759,373	780,810
Amortisation of interests in leasehold land held for own use under operating leases	310	295
Depreciation		
– other assets	48,057	51,208
– assets held under finance leases	1,208	1,148
Operating lease charges in respect of properties		
– factory and hostel rentals	5,425	5,071
Impairment losses recognised/(reversed) in respect of		
– trade receivables (note 12(b))	121	3,115
– acquisition deposits (note 4 (i))	–	(4,752)
Fines by local authorities(note 4(ii))	–	2,280
Change in fair value of forward exchange contracts (note 4 (iii) and 12)	1,843	138
Net gain on forward foreign exchange contracts (note 4)	2,795	2,004

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

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

	Six months ended 31 January 2012 $'000	2011 $'000
Current tax-PRC		
Provision for the period	6,338	4,823
Deferred tax		
Origination and reversal of temporary differences	484	(4,869)
	6,822	(46)

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the six months ended 31 January 2012 and 2011.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("CIT Law") which was effective from 1 January 2008. As a result of the CIT Law, taxable income for the subsidiaries of the Company in the PRC is subject to a standard PRC income tax rate of 25%, except for certain subsidiaries of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008.

Pursuant to the notice on the Implementation Rules of the Grandfather Relief under the CIT Law, Guofa (2007) No. 39, issued on 26 December 2007 by the State Council, the income tax rate applicable to the subsidiaries of the Company in the PRC which had enjoyed preferential tax rates before 1 January 2008 will be gradually increased from the ex-preferential income tax rates to 25% over a five-year transition period commencing from 1 January 2008. The applicable income tax rate is 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012, respectively.

Subsidiaries which were granted certain tax relief before 1 January 2008 can continually enjoy such tax relief, under which they are entitled to PRC income tax exemption for two years commencing from the first profit making year and to a 50% relief from PRC income tax for the following three years.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX (CONTINUED)

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

For the period ended 31 January 2012, the following subsidiaries of the Company in the PRC were either subject to standard or preferential income tax rates, except that V.S. Industry (Shenzhen) Co., Ltd., V.S. Technology Industry Park (Zhuhai) Co., Ltd., Haivs Industry (Qingdao) Co., Ltd., VSA Electronics Technology (Zhuhai) Co., Ltd. and Qingdao GP Precision Mold Plastics Co., Ltd. sustained losses for taxation purposes for the period ended 31 January 2012:

Name of subsidiary	Period	Income tax rate
V.S. Industry (Zhuhai) Co., Ltd.	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 December 2011	24.0%
	1 January 2012 to 31 January 2012	25.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 January 2010 to 31 December 2010	22.0%
	1 January 2011 to 31 December 2011	24.0%
	1 January 2012 to 31 January 2012	25.0%
V.S. Electronics (Zhuhai) Co., Ltd.	1 August 2010 to 31 January 2012	25.0%
Qingdao GP Electronic Plastics Co., Ltd.	1 January 2010 to 31 December 2010	11.0%
	1 January 2011 to 31 December 2011	12.5%
	1 January 2012 to 31 January 2012	12.5%

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

6 INCOME TAX (CONTINUED)

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

Pursuant to the Sino-Hong Kong Double Tax Arrangement and Sino-Macau Double Tax Arrangement and the related regulations, a qualified Hong Kong or Macau tax resident will be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong or Macau tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. A withholding tax rate of 5% is applicable to entities held by a Hong Kong incorporated subsidiary.

According to the notice Caishui [2008] No.1 released by the Ministry of Finance and the State Administration of Taxation, distributions of pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempted from the PRC withholding tax. The Group is liable to withholding tax on dividends distributed from the subsidiaries incorporated in the PRC relating to profits generated on or after 1 January 2008. As at 31 January 2012, the undistributed profits generated before 1 January 2008 by the subsidiaries incorporated in the PRC, which amounted to $129,791,000 (31 July 2011: $129,791,000), are not subject to the withholding tax on future distribution. As at 31 January 2012, deferred tax liabilities of $2,229,000 (31 July 2011: $1,745,000) have been recognised in respect of the temporary differences of $44,587,000 (31 July 2011: $34,892,000) which are related to the undistributed profits generated on or after 1 January 2008 by the subsidiaries established in the PRC (Note 6(c)).

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

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
PRC income tax payable	7,682	7,519

6 INCOME TAX (CONTINUED)

(c) Deferred tax recognised

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

	Deferred tax on accumulated losses of PRC subsidiaries $'000	Withholding tax on future dividend income from PRC subsidiaries $'000	Total $'000
Deferred tax arising from:			
At 1 August 2010	14,674	(1,762)	12,912
(Charged)/credited to profit or loss	(14,674)	17	(14,657)
At 31 July 2011	–	(1,745)	(1,745)
At 1 August 2011	–	(1,745)	(1,745)
Charged to profit or loss	–	(484)	(484)
At 31 January 2012	–	(2,229)	(2,229)

	At 31 January 2012 $'000	At 31 July 2011 $'000
Net deferred tax liability recognised in the statement of financial position	(2,229)	(1,745)

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of $12,339,000 (2011: loss of $5,238,000) and 1,155,968,000 ordinary shares (2011: 866,976,000 shares) in issue during the current and the prior period.

7 LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

During the period ended 31 January 2012, the effects of share options and bonus warrants are anti-dilutive. There were no potential dilutive ordinary shares in existence during the six months ended 31 January 2012 and 2011.

8 FIXED ASSETS

	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 31 July 2011	353,341	18,525	1,081,164	62,356	28,976	2,211	1,546,573	30,837	1,577,410
Exchange adjustments	5,357	275	14,427	993	429	33	21,514	475	21,989
Additions	777	–	7,059	1,318	2,225	484	11,863	–	11,863
Transfer	143	–	588	–	–	(731)	–	–	–
Disposals	–	–	(114,800)	(61)	(1,466)	–	(116,327)	–	(116,327)
At 31 January 2012	359,618	18,800	988,438	64,606	30,164	1,997	1,463,623	31,312	1,494,935
Accumulated depreciation and amortisation:									
At 31 July 2011	62,106	8,389	631,582	40,754	21,278	–	764,109	5,282	769,391
Exchange adjustments	940	115	7,788	634	318	–	9,795	85	9,880
Charge for the period	4,290	401	39,392	3,221	1,961	–	49,265	310	49,575
Written back on disposals	–	–	(75,559)	(59)	(1,312)	–	(76,930)	–	(76,930)
At 31 January 2012	67,336	8,905	603,203	44,550	22,245	–	746,239	5,677	751,916
Net book value:									
At 31 January 2012	292,282	9,895	385,235	20,056	7,919	1,997	717,384	25,635	743,019
At 31 July 2011	291,235	10,136	449,582	21,602	7,698	2,211	782,464	25,555	808,019

8 FIXED ASSETS (CONTINUED)

As at 31 January 2012 and 31 July 2011, certain fixed assets had been pledged as security for bank loans (note 16(b)).

The Group leases certain production plant and machinery under finance leases expiring 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 of the Group held under finance leases was $18,829,000 at 31 January 2012 (31 July 2011: $19,736,000).

9. GOODWILL

Cost and carrying amount:

	$'000
At 31 January 2012 and 31 July 2011	2,172

The directors make an assessment on the recoverable amount of goodwill and considered that there was no impairment at 31 January 2012 (31 July 2011: $ Nil).

10 INTERESTS IN ASSOCIATES

	At 31 January 2012 $'000	At 31 July 2011 $'000
Share of net assets	16,984	18,526
Goodwill	8,521	8,521
	25,505	27,047

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INTERESTS IN ASSOCIATES (CONTINUED)

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

					Proportion of ownership interest		
Name of associate	Form of business structure	Place of incorporation	Place of operation	Particulars of capital	Group's effective interest	Held by subsidiaries	Principal activity
VS Industry Vietnam Joint Stock Company	Limited liability company	Vietnam	Vietnam	Legal capital of US$10,863,000	23.47%	23.47%	Manufacturing and selling of plastic moulded products and parts
VS-Usotor (Zhuhai) Co., Ltd. ("VS-Usotor")	Sino-foreign equity joint venture	PRC	PRC	Registered Capital $6,200,000	15.3% (note)	15.3%	Manufacturing and selling of metal stamped parts and components

Note:

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

The Group disposed of its entire equity interests in VS-Usotor to an independent third party on 20 August 2011 at the consideration of $1.6 million, resulted in a gain on disposal of approximately $937,000.

11 INVENTORIES

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Raw materials	90,158	128,715
Work-in-progress	60,253	62,053
Finished goods	45,615	54,238
	196,026	245,006

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

	Six months ended 31 January	
	2012 $'000	2011 $'000
Carrying amount of inventories sold	754,603	780,958
Write-down/(reversal) of inventories	4,770	(148)
	759,373	780,810

For the six months period ended 31 January 2011, the reversal of write-down of inventories made in prior periods arose due to increase in the estimated net realisable value of certain goods as a result of a change in consumer preferences.

12 TRADE AND OTHER RECEIVABLES

	At 31 January 2012 $'000	At 31 July 2011 $'000
Trade receivables	256,190	309,278
Bills receivable (note (i))	71,191	67,096
Less: allowance for doubtful debts (note 12(b))	(7,850)	(7,729)
	319,531	368,645
Other receivables, prepayments and deposits	79,202	82,639
Derivative financial instruments (note 4(iii))	1,843	1,391
Deferred assets (note 12(d))	9,591	10,779
	410,167	463,454

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

Note:

(i) As at 31 January 2012, no bills receivables (31 July 2011: $6,053,000) have been pledged to banks as security in connection with certain banking facilities (note 16(b)).

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Current	289,993	307,212
Less than 1 month past due	24,170	37,266
1 to 3 months past due	2,723	13,953
More than 3 months but less than 12 months past due	2,645	10,214
Amounts past due	29,538	61,433
	319,531	368,645

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

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors and bills receivable

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

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
At 1 August	7,729	2,010
Impairment loss recognised	121	5,719
At 31 January/31 July	7,850	7,729

At 31 January 2012, the Group's trade debtors of $7,850,000 (31 July 2011: $7,821,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of $7,850,000 have been recognised as at 31 January 2012 (31 July 2011: $7,729,000) after considering subsequent settlement and other relevant factors. The Group does not hold any collateral over these balances.

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Neither past due nor impaired	289,993	307,212
Less than 1 month past due	24,170	37,266
1 to 3 months past due	2,723	13,953
More than 3 months but less than 12 months past due	2,645	10,122
	29,538	61,341
	319,531	368,553

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

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

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Deferred assets

An analysis of current and non-current portion of deferred assets (moulds) is as follows:

	At 31 January 2012 $'000	At 31 July 2011 $'000
To be amortised within one year	9,591	10,779
To be amortised over one year	12,249	6,602
	21,840	17,381

13 DEPOSITS WITH BANKS

	At 31 January 2012 $'000	At 31 July 2011 $'000
Deposits with banks with original maturity date over 3 months	5,485	121
Pledged fixed deposits with banks	28,590	60,612
	34,075	60,733

Pledged fixed deposits with banks of $28,590,000 (31 July 2011: $60,612,000) have been pledged to banks as security for certain banking facilities, including trade finance, bank loans and overdrafts (note 16(b)).

14 CASH AND CASH EQUIVALENTS

	At 31 January 2012 $'000	At 31 July 2011 $'000
Cash at bank and in hand	112,165	112,338
Cash in transit	–	2,994
Cash and cash equivalents in the statement of financial position	112,165	115,332
Bank overdrafts (note 16(a))	(19,481)	(20,393)
Cash and cash equivalents in the consolidated cash flow statement	92,684	94,939

As at 31 July 2011, US$384,000 (equivalent to approximately $2,994,000) of cash was being remitted to a subsidiary in the PRC through a financial institution. The cash was received by the subsidiary on 1 August 2011. Therefore, the cash being remitted was included in cash in transit as at 31 July 2011.

15 TRADE AND OTHER PAYABLES

	At 31 January 2012 $'000	At 31 July 2011 $'000
Trade payables	240,107	320,057
Bills payable	22,011	3,605
Payables for the purchase of fixed assets (note 15(b))	45,610	57,255
Accrued expenses and other payables	105,633	144,119
	413,361	525,036

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

15 TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Due within 1 month or on demand	186,486	202,736
Due after 1 month but within 3 months	48,453	106,509
Due after 3 months but within 6 months	27,179	14,417
	262,118	323,662

(b) Payables for the purchase of fixed assets

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Current:		
Within 1 year or on demand (note)	45,610	57,255
Non-current:		
After 1 year but within 2 years	–	6,303
	45,610	63,558

Note: Amounts due to suppliers in respect of acquisition of fixed assets amounting to $20,149,000 (31 July 2011: $32,782,000) are repayable under instalment terms, and unsecured as well as bear interest at 4.3%-7.5% (2011: 4.3%-7.5%) per annum.

16 INTEREST-BEARING BORROWINGS

	At 31 January 2012 $'000	At 31 July 2011 $'000
Current:		
Within 1 year or on demand	363,843	454,886
Non-current:		
After 1 year but within 2 years	31,023	248,814
After 2 years but within 5 years	241,689	–
	272,712	248,814
	636,555	703,700

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Current:		
Overdrafts		
– secured	19,481	20,393
Bank loans		
– secured	207,777	254,570
– unsecured	136,585	179,923
	344,362	434,493
	363,843	454,886
Non-current:		
Bank loans		
– secured	272,712	248,814
	636,555	703,700

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

16 INTEREST-BEARING BORROWINGS (CONTINUED)

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Bills receivable (note 12)	–	6,053
Fixed deposits (note 13)	28,590	60,612
Interests in leasehold land held for own use under operating leases with aggregate carrying value (note 8)	25,635	25,555
Plant and machinery with aggregate carrying value (note 8)	36,101	41,143
Buildings held for own use with aggregate carrying value (note 8)	286,395	285,181
	376,721	418,544

The above-mentioned secured banking facilities, including trade finance, overdrafts and bank loans, totalling $571,873,000 (31 July 2011: $619,453,000), were utilised to the extent of $499,970,000 (31 July 2011: $523,777,000) at 31 January 2012. The Group's banking facilities also included certain unsecured banking facilities, totalling $242,193,000 (31 July 2011: $328,161,000), which were utilised to the extent of $136,585,000 (31 July 2011: $179,923,000) at 31 January 2012.

(c) Three (31 July 2011: 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. As at 31 January 2012 and 31 July 2011, none of the covenants relating to drawn down facilities had been breached.

17 OBLIGATIONS UNDER FINANCE LEASES

As at 31 January 2012, the Group had obligations under finance leases repayable as follows:

	At 31 January 2012			At 31 July 2011		
	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	2,695	44	2,739	7,962	213	8,175
	2,695	44	2,739	7,962	213	8,175

18 SHARE OPTION SCHEME

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

Pursuant to the resolution duly passed at the annual general meeting ("AGM") held on 16 December 2011, the general scheme limit ("General Scheme Limit") of the Share Option Scheme was refreshed. The total number of ordinary shares which could be allotted and issued upon exercise of all options granted or to be granted under the Share Option Scheme must not in aggregate exceed 20 percent of the shares in issue as at the date of the AGM. As at the date of the AGM, there were 1,155,968,000 shares of the Company in issue. Accordingly, the refreshed General Scheme Limit was 231,193,600 shares of the Company.

Pursuant to a resolution passed by directors in a meeting of the Board on 3 February 2010, the Board approved the grant of 86,680,000 share options ("Options") under the rules of the Share Option Scheme. The number of share options granted was adjusted to 92,322,000 as a result of the rights issue completed on 16 March 2011 (note 19(ii)).

The main purpose of the Share Option Scheme is to enable the Group to grant Options to the eligible participants as incentives or rewards for their contribution to past and future performances of the Group. In appreciation of their efforts and support and/or as incentives for their continual support for the Group, it was recommended that Options be granted to the grantees under the Share Option Scheme, to subscribe for ordinary shares at an exercise price of $0.18 ("Exercise Price") per share. The Exercise Price per share was adjusted to $0.169 as a result of the rights issue completed on 16 March 2011 (note 19 (ii)). The share options have a term of three years commencing from 1 August 2010 and shall vest (if applicable) and become exercisable in three tranches in the proportion of approximately 30%, 30% and 40% on 1 August 2010, 1 August 2011 and 1 August 2012 respectively.

For acceptance of Options granted by the Company, an eligible participant is required to remit $1 to the Company at the principal place of business of the Company in Hong Kong within 21 days from the date of receiving the offer of the Options. As at 24 February 2010, 66 eligible participants accepted the offer of Options granted by the Company. No further Options have been granted since that date.

The Options' fair value of $6,736,000 was measured at grant date using the binomial option pricing model (note 18(c)). The total estimated fair value of the Options is spread over the vesting period, taking into account the probability that the Options will vest. For the period ended 31 January 2012, $614,000 (31 January 2011: $1,297,000) is recognised as an employee cost with a corresponding increase in a capital reserve within equity.

18 SHARE OPTION SCHEME (CONTINUED)

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

Date granted	Vesting period	Exercise period	Options granted Directors	Options granted Employees	Total
			'000	'000	'000
3 February 2010	3 February 2010 to 31 July 2010	1 August 2010 to 31 July 2013	12,718	9,894	22,612
	3 February 2010 to 31 July 2011	1 August 2011 to 31 July 2013	12,718	9,894	22,612
	3 February 2010 to 31 July 2012	1 August 2012 to 31 July 2013	16,959	13,085	30,044
			42,395	32,873	75,268

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

18 SHARE OPTION SCHEME (CONTINUED)

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

	At 31 January 2012		At 31 July 2011	
	Weighted average exercise price	Number of Options '000	Weighted average exercise price	Number of Options '000
Outstanding at the beginning of the period/year	$0.169	85,707	$0.180	86,680
Adjusted during the period/year (note (i))	–	–	$0.169	5,642
	$0.169	85,707	$0.169	92,322
Lapsed during the period/year (note (ii))	$0.169	(10,439)	$0.169	(6,615)
Outstanding at the end of the period/year	$0.169	75,268	$0.169	85,707
Exercisable at the end of the period/year	$0.169	45,224	$0.169	25,748

Notes:

(i) During the year ended 31 July 2011, the number of share options granted and the Exercise Price per share were adjusted to 92,322,000 and $0.169 respectively as a result of the rights issue completed on 16 March 2011 (note 19 (ii)).

(ii) For the period ended 31 January 2012, 10,439,000 share options were lapsed as certain directors and employees ceased to be employees of the Group for reasons other than death, ill-health or retirement.

The Options outstanding at 31 January 2012 had an exercise price of $0.169 (31 July 2011: $0.169) and a weighted average remaining contracted life of one and a half years (31 July 2011: two years).

18 SHARE OPTION SCHEME (CONTINUED)

(c) Fair value of options and assumptions

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

Fair value of Options and assumptions

Fair value at measurement date (weighted average)	$6,736,000
Share price	$0.176
Exercise price	$0.169
Expected volatility (expressed as weighted average volatility used in the modelling under the binomial model)	85.48%
Option life (expressed as weighted average life used in the modelling under the binomial model)	3.5 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.2195%

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

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

19 SHARE CAPITAL

(i) Authorised and issued share capital

	At 31 January 2012		At 31 July 2011	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid:				
At 1 August	1,155,968	57,798	866,976	43,349
Shares issued by rights issue (note 19 (ii))	–	–	288,992	14,449
At 31 January/31 July	1,155,968	57,798	1,155,968	57,798

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.

(ii) Rights issue with bonus warrants

On 16 March 2011, 288,992,000 ordinary shares of the Company were issued at the subscription price of $0.12 each by way of rights issue. The gross proceeds received by the Company from the rights issue were approximately $34,679,000, among which $14,449,000 was credited to the share capital account and the balance of $18,199,000 (net of professional fees of $2,031,000) was credited to the share premium account.

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

19 SHARE CAPITAL

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

Exercise period	At 31 January 2012 Exercise price	At 31 January 2012 Number of options '000	At 31 July 2011 Exercise price	At 31 July 2011 Number of options '000
1 August 2010 to 31 July 2013	$0.169	22,612	$0.169	25,748
1 August 2011 to 31 July 2013	$0.169	22,612	$0.169	25,748
1 August 2012 to 31 July 2013	$0.169	30,044	$0.169	34,211
		75,268		85,707

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

20 DIVIDENDS

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

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 January 2012 and 2011.

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

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

21 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2012 not provided for in the interim financial report are as follows:

	At 31 January 2012 $'000	At 31 July 2011 $'000
Contracted for	11,343	606

(b) Operating lease commitments

The Group leases a number of properties under operating leases. The leases typically run for periods from one year to two years with an option to renew the lease upon expiry when all terms are renegotiated. Lease charges in respect of these operating leases amounting to $5,425,000 (2011: $5,071,000) were recognised as expenses in the unaudited consolidated income statement. None of the leases includes contingent rentals.

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Within one year	561	456
After one year but within five years	73	–
	634	456

Significant leasing arrangements in respect of machinery classified as being held under finance leases are described in note 17.

22 MATERIAL RELATED PARTY TRANSACTIONS

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

	Six months ended 31 January	
	2012	2011
	$'000	$'000
Sales to a substantial holder	–	12
Sales to an associate	9,862	–
	9,862	12
Sales of fixed assets to a subsidiary of a substantial shareholder	9,920	–
Sales of fixed assets to a company controlled by the family member of a director	409	–
	10,329	–
Interest paid and payable to a substantial shareholder (note 22(c))	62	186
Operating lease charges paid and payable to a company controlled by a director	4,835	4,596
Purchase of raw materials from an associate	–	4,310
Purchase moulds fabricated and certain moulded productions and parts from a company controlled by the family member of a director	658	254
Management fee paid and payable to a company controlled by a director	349	332
Sub-contracting fee paid and payable to a company controlled by the family member of a director	1,840	1,879
Repair and maintenance services paid and payable to a company controlled by the family member of a director	–	471

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 January 2012 $'000	At 31 July 2011 $'000
Amount due from a company controlled by a director	4,087	4,821
Amount due from associates	8,288	10,329
Amount due from a substantial shareholder	158	1,660
Amount due from a company controlled by the family member of a director	810	817
	13,343	17,627

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

22 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 January 2012		At 31 July 2011	
	Trade and other payables $'000	Loan from a substantial shareholder * $'000	Trade and other payables $'000	Loan from a substantial shareholder * $'000
Amounts due to directors	300	–	300	–
Amount due to a company controlled by a director	1,658	–	1,013	–
Amount due to a company controlled by the family member of a director	947	–	1,937	–
Amount due to associates	–	–	501	–
Amount due to a substantial shareholder*	62	2,435	123	4,894
	2,967	2,435	3,874	4,894

* Pursuant to the loan agreement entered into between the Group and the substantial shareholder of the Company dated 20 January 2002, the loan, which amounted to US$6,279,000 (equivalent to approximately $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 (2011: 5%) on the outstanding balance. Interest paid and payable to the substantial shareholder, amounted to $62,000 (2011: $186,000) for the six months ended 31 January 2012.

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 31 JANUARY 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the six months ended 31 January 2012 and which have not been adopted in this interim financial statement. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
HK(IFRIC) 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments (2009)*	1 January 2015
HKFRS 9, *Financial instruments (2010)*	1 January 2015
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 31 JANUARY 2012 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments 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 Group's results of operations and financial position.

24 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 16 February 2012, V.S. International Industry Limited ("VSIIL"), a subsidiary of the Group, entered into a share acquisition agreement ("Agreement") with the minority shareholder of VSA Holding Hong Kong Co., Ltd ("VSAHK") in order to purchase the remaining 19% of the equity interests of VSAHK at the consideration of $2,460,000, to be satisfied in cash. VSAHK is principally engaged in trading of electronic products, parts and components. As the principal business of VSAHK supplements that of the Group, the acquisition of the remaining 19% of the equity interests of VSAHK shall improve the synergistic effects between VSAHK and the Group.

Management Discussion and Analysis of Results of Operations

OVERVIEW

Four months after the Japan earthquake, the business activities of our Japanese customers began seeing some normalisation. During the six months under review, the Group has seen some improvement in orders from certain existing major customers and a new customer from Europe. During the period under review, the Group sales has increased by HK$100.71 million over the second half of last financial year.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK$862.33 million, representing a slight decrease of HK$5.58 million or 0.64% as compared to HK$867.91 million in the corresponding period. Gross profit during the six months ended period 31 January 2012 increased HK$15.86 million to HK$102.96 million or 11.94% of net sales from HK$87.10 million or 10.04% of net sales during the corresponding period.

As at 31 January 2012, the net current liabilities has improved from HK$115.77 million as at 31 July 2011 to HK$37.58 million resulted from improvement in operating cash flow and restructuring of the Group's short term bank borrowings to long term.

Plastic injection and moulding business

During the period under review, plastic injection and moulding segment remained the Group's core business and contributed to 60.62% of the Group's turnover. The turnover for this segment increased to HK$522.75 million as compared to HK$500.37 million in the corresponding period, representing an increase of HK$22.38 million or 4.47%.

Assembling of electronic products business

Assembling of box-built electronics products recorded a significant decrease in turnover from HK$317.49 million to HK$277.22 million, a decrease of HK$40.27 million or 12.68% mainly caused by supply interruption of certain customer products during Thailand floods in the last quarter of year 2011.

Mould design and fabrication business

Mould design and fabrication is a key business segment for the Group to solicit new customers and new products from existing customers. During the period under review, mould design and fabrication segment recorded a turnover of HK$62.36 million, an increase of HK$12.31 million or 24.60% as compared to HK$50.05 million the corresponding period.

Management Discussion and Analysis of Results of Operations

Distribution costs and administrative expenses

During the period under review, distribution costs and administrative expenses amounted to HK$77.12 million, representing a decrease of HK$6.72 million or 8.02% as compared to HK$83.84 million in the corresponding period. The decrease was mostly due to reduction in the management staff headcount.

Other net (loss)/income

During the period under review, the Group recorded other net loss of HK$10.92 million (2011: net gain of HK$9.44 million), which comprised mainly net loss on disposal of fixed assets of HK$19.70 million, which was offset by net gain on foreign exchange of HK$5.97 million and other income of HK$2.81 million.

Finance costs

Despite reduction in bank borrowings, the finance costs remained stable at HK$19.48 million as compared to HK$19.74 million in the corresponding period mainly due to higher interest rate on bank borrowing for the period under review.

Share of profits less losses of associates

The Group's share of losses of associates of HK$0.88 million (2011: share of profits less losses of associates of HK$1.81 million) was solely contributed by its associate in Vietnam.

Future Prospects

The world economic environment continues to be challenging as most of the major economies, including China, are facing possible slowdown. The Group also expects rising labour costs will continue to put a squeeze on the profit margin for the second half of the financial year.

Other Information

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations and investing activities mainly by internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 January 2012, the Group had cash and bank deposits of HK$146.24 million (31 July 2011: HK$176.07 million), of which HK$28.59 million (31 July 2011: HK$60.61 million) was pledged to the banks for the facilities granted to the Group. The cash and bank deposits were denominated in the currencies of United States dollars ("USD") 51.31%, Renminbi ("RMB") 43.66%, and Hong Kong dollars ("HKD") 5.03%.

As at 31 January 2012, the Group had outstanding interest-bearing borrowings of HK$641.68 million (31 July 2011: HK$716.55 million), mainly consisting of bank borrowings of HK$636.55 million (31 July 2011: HK$703.70 million), obligations under finance lease of HK$2.70 million (31 July 2011: HK$7.96 million) and a loan from a substantial shareholder of HK$2.43 million (31 July 2011: HK$4.89 million). The total borrowings were denominated in RMB 24.38%, USD 72.59% and HKD 3.03%, and the maturity profile is as follows:

	As at 31 January 2012		As at 31 July 2011	
Repayable	HK$ million	%	HK$ million	%
Within one year	368.97	57.50	467.74	65.28
After one year but within two years	31.02	4.83	248.81	34.72
After two years but within five years	241.69	37.67	–	0.00
Total borrowings	641.68	100.00	716.55	100.00
Cash and bank deposits	(146.24)		(176.07)	
Net borrowings	495.44		540.48	

As at 31 January 2012, the Group's net current liabilities were HK$37.58 million (31 July 2011: HK$115.77 million). As at 31 January 2012, the Group had undrawn bank facilities of HK$177.51 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

CHARGES ON ASSETS

As at 31 January 2012, certain assets of the Group with aggregate carrying value of HK$376.72 million (31 July 2011: HK$418.54 million) were pledged to secure loan and trade financing facilities for the Group.

Other Information

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relates. The currencies giving rise to the risk were primarily HKD, USD, Japanese Yen ("JPY") and RMB. During the period under review, the Group recorded a net foreign exchange gain of HK$5.97 million (2011: net profit of HK$6.10 million) as a result of realisation of foreign exchange contracts and appreciation of RMB against HKD.

As at 31 January 2012, the notional amount of the outstanding forward exchange contracts which were entered to mitigate foreign exchange risk in view of continuing appreciation of RMB against USD was USD59.25 million.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2012, the Group had a total of 4,716 employees (31 July 2011: 7,932). During the period under review, the Group did not make significant changes to the Group's remuneration policies for its employees.

Employees' cost to the Group (excluding Directors' remuneration) for the period under review amounted to HK$143.04 million (2011: HK$153.00 million). The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resource market and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group has recognised the need for the improvement of employees' technical knowledge, welfare and well being, so as to attract and retain quality and dedicated employees towards the future growth of the Group.

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

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2012 and is of the opinion that such statements comply with the applicable accounting standards, the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto has been made.

Other Information

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

As at 31 January 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	67,962,027 Shares(L) (Note 3, 6 and 7)	5.88%
	V.S. Corporation (Hong Kong) Co., Limited ("VSHK")	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK$1 each (L)	Nominal
Gan Sem Yam	The Company	Beneficial owner	35,737,117 Shares(L) (Note 3, 6 and 7)	3.09%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	Nominal

Other Information

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	97,502,038 Shares(L) (Note 3, 6 and 7)	8.43%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK$1 each (L)	Nominal
Zhang Pei Yu	The Company	Beneficial owner	9,162,867 Shares(L) (Note 3 and 6)	0.79%
Gan Tiong Sia	The Company	Beneficial owner	36,215,074 Shares(L) (Note 4, 6 and 7)	3.13%
	VSHK	Beneficial owner	3,750,000 non voting deferred shares of HK$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	1,413,129 Shares(L) (Note 5, 6 and 7)	0.12%
Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares(L) (Note 5 and 6)	0.06%

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

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.
2. The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
3. 9,160,867 of these Shares would be allotted and issued upon exercise in full of the share option granted to each of the executive Directors, namely Mr. Beh Kim Ling, Mr. Gan Sem Yam, Madam Gan Chu Cheng and Mr. Zhang Pei Yu respectively by the Company under its share option scheme, details of which are set out in note 6 below.
4. 4,473,911 of these Shares would be allotted and issued upon exercise in full of the share option granted to the non-executive Director, Mr. Gan Tiong Sia by the Company under its share option scheme, details of which are set out in note 6 below.
5. 639,130 of these Shares would be allotted and issued upon exercise in full of the share option granted to each of the Independent non-executive Directors, namely Mr. Diong Tai Pew and Mr. Tang Sim Cheow respectively by the Company under its share option scheme, details of which are set out in note 6 below.
6. On 3 February 2010, share options were granted by the Company under the Share Option Scheme (as defined below) to, among other eligible participants, the Directors. All these share options, which remained outstanding as at 31 January 2012, are exercisable at a subscription price of HK$0.169 per Share during exercise periods. Details of these share options granted are disclosed in the paragraph headed "Share Option Scheme" on pages 63 to 65.
7. On 14 March 2011, upon completion of and in connection with Rights Issue, an aggregate of 144,496,000 Warrants were issued to the subscribers on the basis of one Warrant for every two Rights Shares taken up. The holders of Warrants are entitled to subscribe for ordinary Shares at an exercise price of HK$0.12 per Share for the period from 16 March 2011 to 15 March 2014. Details of the Warrants issued to the Directors are as follows:

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

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

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 31 January 2012 was the Company, any of its subsidiaries or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 22 to the interim financial report, no contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period under review or at any time during the period under review.

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

As at 31 January 2012, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of Shares held (Note 1)	Nature of interest/capacity	Approximate percentage of Interest
V.S. Industry Berhad	497,716,400 (L)	Beneficial owner	43.06%
Inabata Sangyo (HK) Limited	82,000,000 (L)	Beneficial owner	7.09%

Note:

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

Other Information

SHARE OPTION SCHEME

The following table discloses details of share options held by the grantees and movements in such holdings during the six months ended 31 January 2012:

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 2011	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 Jan 2012
Directors									
Beh Kim Ling	3 February 2010	1 August 2010 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2011 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2012 to 31 July 2013	0.169	N/A	3,664,347	–	–	–	3,664,347
Gan Sem Yam	3 February 2010	1 August 2010 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2011 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2012 to 31 July 2013	0.169	N/A	3,664,347	–	–	–	3,664,347
Gan Chu Cheng	3 February 2010	1 August 2010 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2011 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2012 to 31 July 2013	0.169	N/A	3,664,347	–	–	–	3,664,347

Other Information

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 2011	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 Jan 2012
Zhang Pei Yu	3 February 2010	1 August 2010 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2011 to 31 July 2013	0.169	N/A	2,748,260	–	–	–	2,748,260
		1 August 2012 to 31 July 2013	0.169	N/A	3,664,347	–	–	–	3,664,347
Yeoh Ek Boon (resigned as director with effect from 30 November 2011)	3 February2010	1 August 2010 to 31 July 2013	0.169	N/A	2,748,260	–	–	2,748,260	–
		1 August 2011 to 31 July 2013	0.169	N/A	2,748,260	–	–	2,748,260	–
		1 August 2012 to 31 July 2013	0.169	N/A	3,664,347	–	–	3,664,347	–
Gan Tiong Sia	3 February2010	1 August 2010 to 31 July 2013	0.169	N/A	1,342,173	–	–	–	1,342,173
		1 August 2011 to 31 July 2013	0.169	N/A	1,342,173	–	–	–	1,342,173
		1 August 2012 to 31 July 2013	0.169	N/A	1,789,565	–	–	–	1,789,565
Diong Tai Pew	3 February2010	1 August 2010 to 31 July 2013	0.169	N/A	191,739	–	–	–	191,739
		1 August 2011 to 31 July 2013	0.169	N/A	191,739	–	–	–	191,739
		1 August 2012 to 31 July 2013	0.169	N/A	255,652	–	–	–	255,652

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 2011	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 Jan 2012
Tang Sim Cheow	3 February 2010	1 August 2010 to 31 July 2013	0.169	N/A	191,739	–	–	–	191,739
		1 August 2011 to 31 July 2013	0.169	N/A	191,739	–	–	–	191,739
		1 August 2012 to 31 July 2013	0.169	N/A	255,652	–	–	–	255,652
					51,556,506	–	–	9,160,867	42,395,639
Other employees (Note 2)	3 February 2010	1 August 2010 to 31 July 2013	0.169	N/A	10,245,466	–	–	351,739	9,893,727
		1 August 2011 to 31 July 2013	0.169	N/A	10,245,466	–	–	351,739	9,893,727
		1 August 2012 to 31 July 2013	0.169	N/A	13,659,892	–	–	574,781	13,085,111
					34,150,824	–	–	1,278,259	32,872,565
					85,707,330	–	–	10,439,126	75,268,204

Notes:

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

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

3. There were no share options being cancelled during the six-month period ended 31 January 2012.

Other Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period under review with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2012.

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

Macau, the PRC
24 March 2012

Review Report

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 53, which comprises the consolidated statement of financial position of V.S. International Group Limited and its subsidiaries (together "the Group") as of 31 January 2012 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *"Interim financial reporting"*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 January 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *"Interim financial reporting"*.

Review Report

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which describes that as at 31 January 2012, the Group's current liabilities exceeded its current assets by HK$37,583,000 and the Group incurred a loss of HK$12,250,000 for the period ended 31 January 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the Group's ability to renew its current bank loans upon expiry or secure adequate other banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. The interim financial report does not include any adjustments that would result from the failure to renew or obtain such banking facilities.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
24 March 2012