



V.S. International Group Limited
威鉞國際集團有限公司

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

Interim Report
2012/13

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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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
10 Chater Road
Central, Hong Kong

PRINCIPAL BANKERS

Malayan Banking Berhad
Industrial & Commercial Bank of China Ltd.
Agricultural Bank of China
China Resources Bank of Zhuhai

Corporate Information

SUBSIDIARIES

V.S. International Industry Limited

V.S. Holding Vietnam 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.

Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
Guangdong Province
The People's Republic of China
Tel. No: (86) 756 6295 888
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
Shandong Province
The People's Republic of China
Tel. No: (86) 532 8792 3666
Fax No: (86) 532 8792 3660

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 2013, which has not been audited by the independent auditor of the Group, PricewaterhouseCoopers (“PwC”), but has been reviewed by PwC and the audit committee (“Audit Committee”) of the Board.

Condensed Consolidated Income Statement

For the six months ended 31 January 2013

	Note	Unaudited	
		Six months ended 31 January	
		2013	2012
		HK\$'000	HK\$'000
Revenue	3	683,231	862,332
Cost of sales		(615,948)	(759,373)
Gross profit		67,283	102,959
Other gains/(losses) – net	4	16,345	(12,788)
Other income		1,565	1,517
Distribution costs		(26,589)	(35,041)
Administrative expenses		(38,211)	(42,076)
Operating profit		20,393	14,571
Finance costs – net	5(a)	(12,314)	(19,120)
Share of losses of associates		(1,738)	(879)
Profit/(loss) before income tax	5	6,341	(5,428)
Income tax expense	6(a)	(3,577)	(6,822)
Profit/(loss) for the period		2,764	(12,250)
Attributable to:			
Equity holders of the Company		2,764	(12,339)
Non-controlling interests		–	89
Profit/(loss) for the period		2,764	(12,250)
Earnings/(loss) per share attributable to equity holders of the Company during the period	7		
Basic		0.23 HK cents	(1.07) HK cents
Diluted		0.22 HK cents	(1.07) HK cents

The notes on pages 12 to 39 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2013

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Profit/(loss) for the period	2,764	(12,250)
Other comprehensive income		
Exchange differences	15,500	10,851
Total comprehensive income/(loss) for the period	18,264	(1,399)
Attributable to:		
Equity holders of the Company	18,264	(1,488)
Non-controlling interests	–	89
Total comprehensive income/(loss) for the period	18,264	(1,399)

The notes on pages 12 to 39 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 January 2013

		Unaudited At 31 January 2013 HK\$'000	Audited At 31 July 2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	650,923	672,430
Land use rights	8	25,363	25,107
Goodwill		2,172	2,172
Interest in an associate		23,552	25,290
Deferred income tax assets	6(b)	2,395	–
		704,405	724,999
Current assets			
Inventories	9	110,184	143,825
Trade and other receivables	10	352,379	366,554
Derivative financial instruments		5,841	–
Bank deposits	11	35,225	39,218
Cash and cash equivalents	12	77,638	90,848
		581,267	640,445
Total assets		1,285,672	1,365,444
EQUITY			
Share capital	16	65,188	57,801
Reserves		378,747	343,266
Total equity attributable to equity holders of the Company		443,935	401,067

Condensed Consolidated Statement of Financial Position

At 31 January 2013

		Unaudited At 31 January 2013 HK\$'000	Audited At 31 July 2012 HK\$'000
LIABILITIES			
Non-current liabilities			
Other payables	13	–	11,081
Borrowings	14	241,759	257,125
Deferred income tax liabilities	6(b)	2,705	2,231
		244,464	270,437
Current liabilities			
Trade and other payables	13	330,350	360,974
Derivative financial instruments		–	6,412
Borrowings	14	258,371	316,180
Tax payable		8,552	10,374
		597,273	693,940
Total liabilities		841,737	964,377
Total equity and liabilities		1,285,672	1,365,444
Net current liabilities		(16,006)	(53,495)
Total assets less current liabilities		688,399	671,504

The notes on pages 12 to 39 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2013

	Unaudited									
	Attributable to equity holders 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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'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
Loss for the period	-	-	-	-	-	-	(12,339)	(12,339)	89	(12,250)
Other comprehensive income										
Exchange differences	-	-	-	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 payment transactions	-	-	-	-	-	614	-	614	-	614
Issuance of shares by rights issue	-	-	-	-	-	(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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2013

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Foreign	Statutory	Employee	Retained profits HK\$'000	Total HK\$'000	Non-	Total HK\$'000
				exchange translation reserve HK\$'000	reserve fund HK\$'000	share-based capital reserve HK\$'000			controlling interests HK\$'000	
At 1 August 2012	57,801	90,210	9,584	163,318	45,616	5,110	29,428	401,067	-	401,067
Profit for the period	-	-	-	-	-	-	2,764	2,764	-	2,764
Other comprehensive income										
Exchange differences	-	-	-	15,500	-	-	-	15,500	-	15,500
Total comprehensive income for the period	-	-	-	15,500	-	-	2,764	18,264	-	18,264
Deregistration of a subsidiary	-	-	-	(4,583)	(836)	-	5,419	-	-	-
Conversion of bonus warrants (note 16(ii))	104	144	-	-	-	-	-	248	-	248
Issuance of shares upon the exercising of share options	1,533	5,730	-	-	-	(2,081)	-	5,182	-	5,182
Share options lapsed during the period	-	-	-	-	-	(80)	80	-	-	-
Issuance of new shares	5,750	13,424	-	-	-	-	-	19,174	-	19,174
At 31 January 2013	65,188	109,508	9,584	174,235	44,780	2,949	37,691	443,935	-	443,935

The notes on pages 12 to 39 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 January 2013

		Unaudited	
		Six months ended 31 January	
		2013	2012
Note		HK\$'000	HK\$'000
	Cash generated from operations	78,438	82,958
	Income tax paid by the subsidiaries in the People's Republic of China ("PRC")	(7,560)	(6,175)
	Net cash generated from operating activities	70,878	76,783
	Net cash (used in)/generated from investing activities	(20,402)	19,449
	Net cash used in financing activities	(61,808)	(94,661)
	Net (decrease)/increase in cash and cash equivalents	(11,332)	1,571
	Cash and cash equivalents at 1 August	67,590	94,939
	Effect of foreign exchange	1,062	(3,826)
	Cash and cash equivalents at 31 January	57,320	92,684

The notes on pages 12 to 39 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This consolidated interim financial information is presented in Hong Kong dollar (“HK\$”), unless otherwise stated.

This consolidated interim financial information for the six months ended 31 January 2013 is unaudited and has been reviewed by the external auditor in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” and the audit committee of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 23 March 2013.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31 July. This condensed consolidated interim financial information for the six months ended 31 January 2013 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 July 2012, which was prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31 July 2012.

The accounting policies used in the preparation of the consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 July 2012, except as mentioned below.

(i) Effect of adopting amendments to existing standards

The following amendments to existing standards are relevant and mandatory to the Group for accounting periods beginning on or after 1 August 2012:

- HKAS 1 (Amendment) “Presentation of Financial Statements”;
- HKAS 12 (Amendment) “Deferred Tax: Recovery of Underlying Assets”;
- HKFRS 1 (Amendment) “First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”; and
- HKFRS 7 (Amendment) “Disclosures – Transfers of Financial Assets”.

The adoption of these amendments to standards did not result in a significant impact on the results and financial position of the Group.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

The following published standards, amendments and interpretation to existing standards are mandatory for the Group's accounting periods beginning on or after 1 August 2012 or later periods and have not been early adopted by the Group:

- HKAS 19 (2011) "Employee Benefits"¹;
- HKAS 27 (2011) "Separate Financial Statements"¹;
- HKAS 28 (2011) "Associates and Joint Ventures"¹;
- HKAS 32 (Amendment) "Offsetting Financial Assets and Financial Liabilities"²;
- HKFRS 1 (Amendment) "First-time Adoption of Hong Kong Financial Standards – Government Loans"¹;
- HKFRS 7 (Amendment) "Disclosures – Offsetting Financial Assets and Financial Liabilities"¹;
- HKFRS 9 "Financial Instruments"³;
- HKFRS 10 "Consolidated Financial Statements"¹;
- HKFRS 11 "Joint Arrangements"¹;
- HKFRS 12 "Disclosure of Interests in Other Entities"¹;
- HKFRS 13 "Fair Value Measurements"¹;
- HKFRSs 11, 12 & 13 (Amendments) "Transition Guidance"¹;
- HKFRSs (Amendments) "Annual Improvements 2009 – 2011 Cycle"¹; and
- HK(IFRIC)-Int 20 "Stripping Costs in the Production Phase of a Surface Mine"¹.

¹ Effective for annual periods beginning on or after 1 January 2013

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

As at 31 January 2013, the Group's current liabilities exceeded its current assets by HK\$16,006,000. This condition indicates 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 2013, the Group had undrawn facilities of HK\$231,000,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew its current bank loans upon expiry or to obtain additional banking facilities in order to improve the liquidity position.

The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew the current bank loans upon expiry or to secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the twelve months from the balance sheet date of this interim financial information. Accordingly, the interim financial information 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 reflected in the interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

3 SEGMENT REPORTING

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

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

(a) Segment results, assets and liabilities

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

Segment assets include all tangible and current assets with the exception of interests in an associate and other corporate assets. Segment liabilities include trade creditors, accruals and bills payables 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, if any), depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Notes to the Condensed Consolidated Interim Financial Information

3 SEGMENT REPORTING (CONTINUED)

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

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.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 31 January:								
Revenue from external customers	400,814	522,749	245,904	277,222	36,513	62,361	683,231	862,332
Reportable segment revenue	400,814	522,749	245,904	277,222	36,513	62,361	683,231	862,332
Reportable segment result	16,535	23,702	13,849	8,516	2,372	16,330	32,756	48,548
At 31 January/31 July:								
Reportable segment assets	780,900	819,988	205,296	220,172	108,114	114,406	1,094,310	1,154,566
Additions to non-current segment assets during the period	2,792	3,416	1,578	1,684	16	1,942	4,386	7,042
Reportable segment liabilities	186,002	203,458	90,273	109,930	10,325	17,896	286,600	331,284

(b) Reconciliations of reportable segment revenue, result, assets and liabilities

	Unaudited	
	Six months ended 31 January 2013	2012
	HK\$'000	HK\$'000
Turnover		
Reportable segment revenue	683,231	862,332
Consolidated turnover	683,231	862,332

Notes to the Condensed Consolidated Interim Financial Information

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue, result, assets and liabilities (Continued)

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Segment result		
Reportable segment profit	32,756	48,548
Share of losses of associates	(1,738)	(879)
Finance costs – net (Note 5(a))	(12,314)	(19,120)
Unallocated depreciation and amortisation	(3,433)	(2,991)
Unallocated operating income and expenses	(8,930)	(30,986)
Profit/(loss) before income tax	6,341	(5,428)
Assets		
Reportable segment assets	1,094,310	1,154,566
Interest in an associate	23,552	25,290
Unallocated head office and corporate assets	167,810	185,588
Consolidated total assets	1,285,672	1,365,444
Liabilities		
Reportable segment liabilities	286,600	331,284
Unallocated head office and corporate liabilities	555,137	633,093
Consolidated total liabilities	841,737	964,377

Notes to the Condensed Consolidated Interim Financial Information

3 SEGMENT REPORTING (CONTINUED)

(c) Revenue by geographical locations

Revenue from external customers is analysed by the following geographical locations:

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Mainland China	355,624	467,509
United States of America	122,156	143,849
Europe	120,816	45,699
Hong Kong	44,421	122,324
Northern Asia	31,356	53,084
South East Asia	8,858	29,321
South Africa	–	546
	683,231	862,332

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

4 OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Net foreign exchange gains	2,204	1,333
Net gain/(loss) on disposal of property, plant and equipment	2	(19,696)
Change in fair value of forward exchange contracts	5,841	1,843
Net gain on forward foreign exchange contracts	8,298	2,795
Gain on disposal of an associate	–	937
	16,345	(12,788)

Notes to the Condensed Consolidated Interim Financial Information

5 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

(a) Finance costs – net

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Interest income from bank deposits	(777)	(355)
Interest on bank borrowings repayable within five years	11,875	16,431
Interest on loan from a substantial shareholder	–	62
Interest on obligations under finance leases	–	241
Total borrowing costs	11,875	16,734
Less: borrowing costs capitalised as construction in progress	(39)	(51)
	11,836	16,683
Other charges	1,255	2,792
	13,091	19,475
Finance costs – net	12,314	19,120

Notes to the Condensed Consolidated Interim Financial Information

5 PROFIT/(LOSS) BEFORE INCOME TAX (CONTINUED)

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Cost of inventories	615,948	759,373
Amortisation of land use rights	313	310
Depreciation		
– other assets	41,414	48,057
– assets held under finance leases	–	1,208
Operating lease charges in respect of properties		
– factory and hostel rentals	5,174	5,425
Provision for impairment on trade receivables	99	121

6 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
PRC corporate income tax	5,498	6,338
Deferred income tax		
Origination and reversal of temporary differences	(1,921)	484
	3,577	6,822

Notes to the Condensed Consolidated Interim Financial Information

6 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (continued)

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 2013 and 2012.

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

Pursuant to the Corporate Income Tax Law ("CIT") of the People's Republic of China effective from 1 January 2008 onwards, the Group's PRC subsidiaries are subject to a standard PRC income tax rate of 25%, except for those granted with preferential tax rates prior to 1 January 2008 and in which cases, the applicable tax rates would gradually increase to 25% towards the end of 2013.

Below are the preferential tax rates applicable to the Group's PRC subsidiaries which generate taxable income for the six months ended 31 January 2013 and 2012:

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

Pursuant to the relevant CIT rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008 onwards.

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.

Notes to the Condensed Consolidated Interim Financial Information

6 INCOME TAX EXPENSE (CONTINUED)

(b) Deferred tax assets/(liabilities)

Deferred income tax is recognised on temporary differences under the liability method using the prevailing taxation rate of the regions where the temporary differences are related to.

The movement on the deferred tax account is as follows:

Deferred tax liabilities – unremitted retained profits of PRC subsidiaries

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
At beginning of the period	(2,231)	(1,745)
Charged to the income statement	(474)	(484)
At end of the period	(2,705)	(2,229)

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2013	2012
	HK\$'000	HK\$'000
At beginning of the period	–	–
Credited to the income statement	2,395	–
At end of the period	2,395	–

Notes to the Condensed Consolidated Interim Financial Information

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$2,764,000 (2012: loss of HK\$12,339,000) and the weighted average ordinary shares in issue during the current and the prior period as follows:

	Unaudited	
	Six months ended 31 January	
	2013	2012
Profit/(loss) attributable to equity holders (HK\$'000)	2,764	(12,339)
Weighted average number of ordinary shares in issue ('000)	1,212,005	1,155,968
Basic earnings/(loss) per share (HK cents)	0.23	(1.07)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 31 January 2013, the Company has the share options and bonus warrants that have dilutive potential ordinary shares.

For the share options and bonus warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and bonus warrants. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise in full of the share options and bonus warrants.

	Unaudited	
	Six months ended 31 January	
	2013	2012
Profit/(loss) attributable to equity holders (HK\$'000)	2,764	(12,339)
Weighted average ordinary shares in issue ('000)	1,212,005	1,155,968
Adjustment for the share options ('000)	3,035	–
Adjustment for the bonus warrants ('000)	50,507	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share ('000)	1,265,547	1,155,968
Diluted earnings/(loss) per share (HK cents)	0.22	(1.07)

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS

	Buildings held for own use	Leasehold improvements	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost									
At 31 July and 1 August 2011	353,341	18,525	1,081,164	62,356	28,976	2,211	1,546,573	30,837	1,577,410
Exchange differences	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 and 1 August 2011	62,106	8,389	631,582	40,754	21,278	-	764,109	5,282	769,391
Exchange differences	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

Notes to the Condensed Consolidated Interim Financial Information

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

	Buildings held for own use	Leasehold improvements	Plant and machinery	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Sub-total	Land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost									
At 31 July and 1 August 2012	358,832	17,787	937,399	64,482	26,288	2,023	1,406,811	31,043	1,437,854
Exchange differences	8,107	405	18,779	1,527	539	28	29,385	711	30,096
Additions	-	1,697	2,635	187	499	39	5,057	-	5,057
Transfer	1,249	-	-	841	-	(2,090)	-	-	-
Disposals	-	-	(687)	(282)	-	-	(969)	-	(969)
At 31 January 2013	368,188	19,889	958,126	66,755	27,326	-	1,440,284	31,754	1,472,038
Accumulated depreciation and amortisation									
At 31 July and 1 August 2012	71,178	7,975	590,703	44,547	19,978	-	734,381	5,936	740,317
Exchange differences	1,615	165	11,078	1,034	439	-	14,331	142	14,473
Charge for the period	4,519	742	32,167	2,868	1,118	-	41,414	313	41,727
Written back on disposals	-	-	(507)	(258)	-	-	(765)	-	(765)
At 31 January 2013	77,312	8,882	633,441	48,191	21,535	-	789,361	6,391	795,752
Net book value									
At 31 January 2013	290,876	11,007	324,685	18,564	5,791	-	650,923	25,363	676,286
At 31 July 2012	287,654	9,812	346,696	19,935	6,310	2,023	672,430	25,107	697,537

As at 31 January 2013 and 31 July 2012, certain land use rights, property, plant and equipment have been pledged as security for bank loans (note 14(b)).

Notes to the Condensed Consolidated Interim Financial Information

9 INVENTORIES

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

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Raw materials	58,898	57,309
Work-in-progress	26,642	37,151
Finished goods	24,644	49,365
	110,184	143,825

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

	Unaudited Six months ended 31 January 2013 HK\$'000	2012 HK\$'000
Cost of inventories sold	618,162	754,603
(Write-back of provision)/provision for impairment of inventories	(2,214)	4,770
	615,948	759,373

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Trade receivables	232,461	241,817
Bills receivable (note)	79,129	73,063
Trade and bills receivables – gross	311,590	314,880
Less: provision for impairment	(7,870)	(7,771)
Trade and bills receivables – net	303,720	307,109
Other receivables, prepayments and deposits	48,659	59,445
	352,379	366,554

Note:

As at 31 January 2013, no bills receivable were pledged to banks as security in connection with banking facilities.

As at 31 July 2012, bills receivable amounting to HK\$5,942,000 were pledged to banks as security in connection with certain of the Group's banking facilities.

An aging analysis on the Group's trade and bills receivable by period of overdue repayment is as below:

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Current	263,260	269,840
Less than 1 month past due	26,756	26,185
1 to 3 months past due	8,330	9,682
More than 3 months but less than 12 months past due	5,374	1,402
Amounts past due	40,460	37,269
	303,720	307,109

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

The Group does not hold any collaterals in respect of its trade receivables.

The movement in provision for impairment on trade and bills receivables is as follows:

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
At 1 August	7,771	7,729
Provision for impairment	99	42
At 31 January/31 July	7,870	7,771

11 BANK DEPOSITS

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Bank deposits with original maturities of over 3 months	5,174	6,489
Pledged fixed deposits with banks	30,051	32,729
	35,225	39,218

Notes to the Condensed Consolidated Interim Financial Information

12 CASH AND CASH EQUIVALENTS

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Cash at banks and in hand	77,638	90,848
Cash and cash equivalents in the statement of financial position	77,638	90,848
Bank overdrafts (note 14(a))	(20,318)	(23,258)
Cash and cash equivalents in the condensed consolidated cash flow statement	57,320	67,590

13 TRADE AND OTHER PAYABLES

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Trade payables	211,575	225,680
Bills payable	15,694	15,261
Trade and bills payables	227,269	240,941
Payables for the purchase of machinery and equipment	11,685	22,551
Accrued expenses and other payables	91,396	108,563
	330,350	372,055
Less: non-current portion of payables for the purchase of machinery and equipment	-	(11,081)
Trade and other payables – current	330,350	360,974

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aging analysis of the Group's trade and bills payables at the reporting date:

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Due within 1 month or on demand	145,460	160,937
Due after 1 month but within 3 months	60,486	59,940
Due after 3 months but within 6 months	21,323	20,064
	227,269	240,941

14 BORROWINGS

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Current:		
Bank borrowings repayable within 1 year or on demand	258,371	316,180
Non-current:		
Bank borrowings repayable after 1 year but within 2 years	31,032	31,014
Bank borrowings repayable after 2 years but within 5 years	210,727	226,111
	241,759	257,125
Total	500,130	573,305

Notes to the Condensed Consolidated Interim Financial Information

14 BORROWINGS (CONTINUED)

(a) An analysis of current and non-current borrowings is as follows:

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Current:		
Overdrafts		
– secured	20,318	23,258
Bank loans		
– secured	167,273	184,905
– unsecured	70,780	108,017
	238,053	292,922
	258,371	316,180
Non-current:		
Bank loans		
– secured	241,759	257,125
	500,130	573,305

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

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Bills receivable	–	5,942
Fixed bank deposits	30,051	32,729
Land use rights	25,363	25,107
Plant and machinery with aggregate carrying value	62,210	69,143
Buildings held for own use with aggregate carrying value	285,129	281,946
	402,753	414,867

Notes to the Condensed Consolidated Interim Financial Information

14 BORROWINGS (CONTINUED)

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

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling HK\$528,180,000 (31 July 2012: HK\$557,612,000), were utilised to the extent of HK\$429,350,000 (31 July 2012: HK\$465,288,000) at 31 January 2013. The Group's unsecured banking facilities totalled HK\$203,243,000 (31 July 2012: HK\$226,691,000) and were utilised to the extent of HK\$70,780,000 (31 July 2012: HK\$108,017,000) at 31 January 2013.

15 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.

The main purpose of the Share Option Scheme is to enable the Group to grant Options to the eligible participants as incentives or rewards for their contribution to past and future performances of the Group. In appreciation of their efforts and support and/or as incentives for their continual support for the Group, it was recommended that Options be granted to the grantees under the Share Option Scheme, to subscribe for ordinary shares at an exercise price of HK\$0.18 ("Exercise Price") per share. The Exercise Price per share was adjusted to HK\$0.169 as a result of the rights issue completed on 16 March 2011. 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.

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE OPTION SCHEME (CONTINUED)

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

The Options' fair value of HK\$6,736,000 was measured at grant date using the binomial option pricing model. 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 2013, no share option expenses were recognised as all these options were vested in the last financial year.

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

Date granted	Vesting period	Exercisable period	Options granted to directors '000	Total '000
3 February 2010	3 February 2010 to 31 July 2010	1 August 2010 to 31 July 2013	9,970	9,970
	3 February 2010 to 31 July 2011	1 August 2011 to 31 July 2013	9,970	9,970
	3 February 2010 to 31 July 2012	1 August 2012 to 31 July 2013	13,294	13,294
			33,234	33,234

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.

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE OPTION SCHEME (CONTINUED)

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

	2013		2012	
	Weighted average exercise price HK\$	Outstanding number of options '000	Weighted average exercise price HK\$	Outstanding number of options '000
At 1 August	0.169	65,063	0.169	85,707
Exercised during the period	0.169	(30,657)	–	–
Lapsed during the period	0.169	(1,172)	0.169	(10,439)
At 31 January	0.169	33,234	0.169	75,268
Exercisable at the end of the period	0.169	33,234	0.169	45,224

The Options outstanding at 31 January 2013 had an exercise price of HK\$0.169 (2012: HK\$0.169) and a weighted average remaining contracted life of half years (2012: one and a half years).

(c) Fair value of options and assumptions

The fair value of the options was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were expected dividend yield of 0%, weighted average option life of 3.5 years, expected volatility of 85.48% and the risk-free rate of 1.2195% based on Hong Kong Exchange Fund Notes.

There was no profit and loss impact relating to the Share Option Scheme in the current period.

Notes to the Condensed Consolidated Interim Financial Information

16 SHARE CAPITAL

(i) Authorised and issued share capital

	At 31 January 2013		At 31 July 2012	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid:				
At 1 August	1,156,035	57,801	1,155,968	57,798
Exercise of share option	30,657	1,533	–	–
Conversion of bonus warrants (note (ii))	2,070	104	67	3
Issuance of new shares	115,000	5,750	–	–
At 31 January/31 July	1,303,762	65,188	1,156,035	57,801

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 HK\$0.12 each by way of rights issue ("Rights Issue"). The gross proceeds received by the Company from the rights issue were approximately HK\$34,679,000, among which HK\$14,449,000 was credited to the share capital account and the balance of HK\$18,199,000 (net of professional fees of HK\$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 ("Bonus Warrants") were issued to the subscribers on the basis of one Bonus Warrant for every two rights shares taken up, whereby options were issued to the subscribers to subscribe for ordinary shares at an exercise price of HK\$0.12 per share for the period from 16 March 2011 to 15 March 2014.

Notes to the Condensed Consolidated Interim Financial Information

16 SHARE CAPITAL (CONTINUED)

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

Exercisable period	At 31 January 2013		At 31 July 2012	
	Exercise price HK\$	Number of options '000	Exercise price HK\$	Number of options '000
1 August 2010 to 31 July 2013	0.169	9,970	0.169	19,544
1 August 2011 to 31 July 2013	0.169	9,970	0.169	19,544
1 August 2012 to 31 July 2013	0.169	13,294	0.169	25,975
		33,234		65,063

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

17 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 January 2013 and 31 July 2012 are as follows:

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Authorised but not contracted for	-	-
Contracted but not provided for	249	-

Notes to the Condensed Consolidated Interim Financial Information

18 RELATED PARTY TRANSACTIONS

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

	Unaudited	
	Six months ended 31 January	
	2013 HK\$'000	2012 HK\$'000
Sales to a substantial shareholder	1,156	–
Sales to an associate	466	9,862
	1,622	9,862
Sales of property, plant and equipment to a subsidiary of a substantial shareholder	–	9,920
Sales of property, plant and equipment to a company controlled by a family member of a director	–	409
	–	10,329
Interest paid and payable to a substantial shareholder	–	62
Operating lease charges paid and payable to a company controlled by a director	4,574	4,835
Purchase of fabricated moulds and certain moulded products and parts from a company controlled by a family member of a director	36	658
Management fee paid and payable to a company controlled by a director	330	349
Sub-contracting fee paid and payable to a company controlled by a family member of a director	483	1,840
Repair and maintenance services paid and payable to a company controlled by a family member of a director	298	–

Notes to the Condensed Consolidated Interim Financial Information

18 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 2013 HK\$'000	At 31 July 2012 HK\$'000
Amount due from a company controlled by a director	2,896	2,816
Amount due from an associate	363	1,429
Amount due from a substantial shareholder	740	1,729
Amount due from a company controlled by a family member of a director	27	–
	4,026	5,974

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

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

	At 31 January 2013 HK\$'000	At 31 July 2012 HK\$'000
Amounts due to directors	205	300
Amount due to a company controlled by a director	–	941
Amounts due to companies controlled by a family member of a director	250	751
Amount due to a substantial shareholder	92	–
	547	1,992

Management Discussion and Analysis of Results of Operations

OVERVIEW

Global economic downturn and decline in the demand for customers' end products especially Far East Asia based customers has caused a sluggish business performance in the first half of the year.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK\$683.23million, representing a decrease of HK\$179.10 million or 20.77% as compared to HK\$862.33 million in the corresponding period. Gross profit during the six months ended period 31 January 2013 decreased by HK\$35.68 million from HK\$102.96 million representing 11.94% of revenue for the six months ended 31 January 2012 to HK\$67.28 million representing 9.85% of revenues.

As at 31 January 2013, the net current liabilities have improved from HK\$53.50 million as at 31 July 2012 to HK\$16.01 million resulted from improvement in operating cash flow and capital injection from issuance of new shares during the six months ended 31 January 2013.

Plastic injection and moulding business

During the period under review, plastic injection and moulding segment remained the Group's core business and contributed to 58.66% of the Group's turnover. The turnover for this segment reduced to HK\$400.81 million as compared to HK\$522.75 million in the corresponding period, representing a decrease of HK\$121.94 million or 23.33%.

Assembling of electronic products business

Downturn in global economy and decline in the demand of customers' end products has a direct impact in the business of assembling electronics products. During the period under review, this segment recorded a turnover of HK\$245.90 million, representing a decrease of HK\$31.32 million or 11.30% from HK\$277.22 in the corresponding period.

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. However, due to poor market demand for end products during the period under review, mould design and fabrication segment recorded a turnover of HK\$36.51 million, a significant decrease of HK\$25.85 million or 41.45% as compared to HK\$62.36 million the corresponding period.

Management Discussion and Analysis of Results of Operations

Distribution costs

Distribution cost amounted to HK\$26.59 million, representing a decrease of HK\$8.45 million or 24.12% as compared to HK\$35.04 million in the corresponding period. The decrease in distribution costs was mainly due to lower carriage outwards which were in conjunction with the lower sales during the period under review.

Administrative expenses

During the period under review, administrative expenses amounted to HK\$38.21 million, representing a decrease of HK\$3.87 million or 9.20% as compared to HK\$42.08 million in the corresponding period. The decrease was primarily due to lower wages paid resulting mainly from the reduction in the administrative staff headcount.

Other gains/(losses) – net

During the period under review, the Group recorded other gains of HK\$16.35 million (2012: net losses of HK\$12.79 million), which comprised mainly net gain on foreign exchange of HK\$16.34 million.

Finance costs – net

The net finance costs were reduced by 35.62% or HK\$6.81 million to HK\$12.31 million (2012: HK\$19.12 million) mainly due to lower level of bank borrowings and reduction in interest-bearing other creditors during the period under review.

Share of losses of associates

The Group's share of losses of associates of HK\$1.74 million (2012: HK\$0.88 million) was solely attributed to its associate in Vietnam.

Future Prospects

In view of uncertainty in global economy, the operations environment of the Group will continue to be challenging. The EMS industry is extremely competitive and pricing pressure from customers and rising manufacturing cost has put a squeeze on its profit margin.

The trend of rising manufacturing costs in China may continue in the near future and the Group will focus on improving production efficiency. Besides, the Group will continue to improve its profit margin by providing full range integrated manufacturing services to its customers.

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 2013, the Group had cash and bank deposits of HK\$112.86 million (31 July 2012: HK\$130.07 million), of which HK\$30.05 million (31 July 2012: HK\$32.73 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”) 51.04%, Renminbi (“RMB”) 47.77%, and Hong Kong dollars (“HKD”) 1.19%.

As at 31 January 2013, the Group had outstanding bank borrowing of HK\$500.13 million (31 July 2012: HK\$573.31million). The total borrowings were denominated in USD 77.24%, RMB 18.70% and HKD 4.06%, and the maturity profile is as follows:

Repayable	As at 31 January 2013		As at 31 July 2012	
	HK\$ million	%	HK\$ million	%
Within one year	258.37	51.66	316.18	55.15
After one year but within two years	31.03	6.20	31.02	5.41
After two years but within five years	210.73	42.14	226.11	39.44
Total borrowings	500.13	100.00	573.31	100.00
Cash and bank deposits	(112.86)		(130.07)	
Net borrowings	387.27		443.24	

As at 31 January 2013, the Group’s net current liabilities were HK\$16.01 million (31 July 2012: HK\$53.50 million). As at 31 January 2013, the Group has undrawn bank facilities of HK\$231.00 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 2013, certain assets of the Group with aggregate carrying value of HK\$402.75 million (31 July 2012: HK\$414.87 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 other than the functional currency to which they relate. The currencies giving rise to the risk were primarily USD, RMB, and Japanese Yen. During the period under review, the Group recorded a net foreign exchange gain of HK\$16.34 million (2012: net foreign exchange gain of HK\$5.97 million) mainly due to realised gain on forward exchange contract of HK\$8.30 million, unrealised foreign exchange gain of HK\$2.20 million and unrealised gain on forward exchange contract of HK\$5.84 million.

Most of the Group's sales transactions are denominated in USD and certain payments were made other than USD in RMB, HKD and JPY. In view of fluctuation of RMB against USD during the period under review, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD.

As at 31 January 2013, the notional amount of the outstanding forward exchange contracts was US\$45.90 million (31 July 2012: US\$56.40 million). The management will continue to monitor the foreign currency risk exposure so that it is kept at an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2013, the Group had a total of 4,107 employees (31 July 2012: 4,335). 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 and equity settled share-based payment expenses) for the period under review amounted to HK\$103.78 million (2012: HK\$143.04 million). The decrease in employees' cost was mainly due to the reduction in the number of employees employed during the period under review. The Group's remuneration package is reviewed on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resource market government regulations and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group has recognised the need for the improvement of employees' technical knowledge, welfare and well being, so as to attract and retain quality and dedicated employees towards the future growth of the Group.

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

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

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

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

Other Information

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2013 and is of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto has been made.

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

As at 31 January 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	67,962,027 Shares (L) (Note 3, 6 and 7)	5.21%
	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)	2.74%
	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)	7.48%
	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)	0.70%
Gan Tiong Sia	The Company	Beneficial owner	36,215,074 Shares (L) (Note 4, 6 and 7)	2.78%
	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)	0.11%
Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares(L) (Note 5 and 6)	0.05%

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

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia.
2. The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
3. 9,160,867 of these Shares would be allotted and issued upon exercise in full of the share options granted to each of the executive Directors, namely Mr. Beh Kim Ling, Mr. Gan Sem Yam and Madam Gan Chu Cheng 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 options 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 options 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 its old share option scheme adopted on 20 January 2002 and expired on 19 January 2012 to, among other eligible participants, the Directors. All these share options, which remained outstanding as at 31 January 2013, 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 49 to 51.
7. On 14 March 2011, upon completion of and in connection with 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. The holders of the Bonus Warrants are entitled to subscribe for ordinary shares at an exercise price of HK\$0.12 per share for the period from 16 March 2011 to 15 March 2014. Details of the Bonus Warrants issued to the Directors are as follows:

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

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

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 31 January 2013 was the Company, any of its subsidiaries or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 18 to the interim financial information, 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 2013, the following person, 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	560,576,150 (L) (Note 2)	Beneficial owner	43.00%

Notes:

1. The letter "L" represents the shareholder's long position interest in the shares of the Company.
2. These shares include (i) 497,716,400 shares of the Company held by V.S. Industry Berhad; and (ii) 62,859,750 shares would be allotted and issued upon exercise in full of the outstanding Bonus Warrants granted to V.S. Industry Berhad.

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 2013:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2012	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2013
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 2012	Exercised during the period (Note 3)	Granted during the period	Lapsed during the period	Outstanding at 31 January 2013
Zhang Pei Yu	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.170	2,748,260	2,748,260	-	-	-
		1 August 2011 to 31 July 2013	0.169	0.170	2,748,260	2,748,260	-	-	-
		1 August 2012 to 31 July 2013	0.169	0.170	3,664,347	3,664,347	-	-	-
Gan Tiong Sia	3 February 2010	1 August 2010 to 31 July 2013	0.169	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 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
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
					42,395,639	9,160,867	-	-	33,234,772

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2012	Exercised during the period (Note 3)	Granted during the period	Lapsed during the period	Outstanding at 31 January 2013
Other employees (Note 2)	3 February 2010	1 August 2010 to 31 July 2013	0.169	0.170	6,825,905	6,472,253	-	353,652	-
		1 August 2011 to 31 July 2013	0.169	0.170	6,825,905	6,472,253	-	353,652	-
		1 August 2012 to 31 July 2013	0.169	0.170	9,015,986	8,551,552	-	464,434	-
					22,667,796	21,496,058	-	1,171,738	-
					65,063,435	30,656,925	-	1,171,738	33,234,772

Notes:

- The average of closing price of the shares of the Company 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 of the Company and 144,496,000 Bonus Warrants.
- 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).
- During the period, the weighted average closing price of the Company's shares on the trading dates immediately before the respective dates on which the share options were exercised was HK\$0.170.
- There were no share options being cancelled during the six-month period ended 31 January 2013.

Other Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (“Code Provisions”) of the Corporate Governance Code and Corporate Governance Report (“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 2013.

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

Macau, the PRC
23 March 2013

Report on Review of Interim Financial Information



羅兵咸永道

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 information set out on pages 5 to 39, which comprises the interim condensed consolidated statement of financial position of V.S. International Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 January 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review 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 interim financial information consists of making inquiries, 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 information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

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Report on Review of Interim Financial Information



羅兵咸永道

EMPHASIS OF MATTER

We draw attention to note 2 to the interim financial information which describes that as at 31 January 2013, the Group's current liabilities exceeded its current assets by HK\$16,006,000. This, along with other matters as described in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2013