



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
2013/14



Table of Contents

	<i>Page</i>
Corporate Information	2
Introduction	4
Condensed Consolidated Income Statement	5
Condensed Consolidated Statement of Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Cash Flow Statement	10
Notes to the Condensed Consolidated Interim Financial Information	11
Management Discussion and Analysis of Results of Operations	38
Future Prospects	40
Other Information	41
Report on Review of Interim Financial Information	51



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

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
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.

V.S. Industrial Product Design (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 2014, 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 2014

	Note	Unaudited	
		Six months ended 31 January	
		2014	2013
		HK\$'000	HK\$'000
Revenue	4	654,032	683,231
Cost of sales		(578,279)	(615,948)
Gross profit		75,753	67,283
Other gains – net	5	7,270	16,345
Other income – net		2,194	1,565
Distribution costs		(33,430)	(26,589)
Administrative expenses		(42,604)	(38,211)
Operating profit		9,183	20,393
Finance costs – net	6(a)	(10,066)	(12,314)
Share of loss of an associate		(240)	(1,738)
(Loss)/profit before income tax	6	(1,123)	6,341
Income tax expense	7(a)	(4,150)	(3,577)
(Loss)/profit for the period attributable to equity holders of the Company		(5,273)	2,764
(Loss)/earnings per share attributable to equity holders of the Company during the period	8		
Basic		(0.39) HK cents	0.23 HK cents
Diluted		(0.39) HK cents	0.22 HK cents

The notes on pages 11 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2014

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
(Loss)/profit for the period	(5,273)	2,764
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences	8,878	15,500
Total comprehensive income for the period	3,605	18,264
Attributable to:		
Equity holders of the Company	3,605	18,264
Total comprehensive income for the period	3,605	18,264

The notes on pages 11 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 January 2014

		Unaudited At 31 January 2014 HK\$'000	Audited At 31 July 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	595,585	612,689
Land use rights	9	25,405	25,395
Goodwill		2,172	2,172
Interest in an associate		21,530	21,770
Prepayments	11	77	577
Deferred income tax assets	7(b)	3,405	2,846
		648,174	665,449
Current assets			
Inventories	10	178,229	124,144
Trade and other receivables	11	359,259	307,411
Derivative financial instruments		8,612	5,826
Bank deposits	12	21,143	22,564
Cash and cash equivalents	13	71,062	81,285
		638,305	541,230
Total assets		1,286,479	1,206,679
EQUITY			
Share capital	17	67,292	67,112
Share premium		117,030	116,778
Reserves		237,887	233,006
Total equity attributable to equity holders of the Company		422,209	416,896
LIABILITIES			
Non-current liabilities			
Borrowings	15	210,908	226,170
Deferred income tax liabilities	7(b)	2,618	2,393
		213,526	228,563

Condensed Consolidated Statement of Financial Position

At 31 January 2014

		Unaudited At 31 January 2014 HK\$'000	Audited At 31 July 2013 HK\$'000
Current liabilities			
Trade and other payables	14	377,169	338,917
Borrowings	15	265,603	213,879
Tax payable		7,972	8,424
		650,744	561,220
Total liabilities		864,270	789,783
Total equity and liabilities		1,286,479	1,206,679
Net current liabilities		(12,439)	(19,990)
Total assets less current liabilities		635,735	645,459

The notes on pages 11 to 37 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 2014

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Foreign exchange translation reserve HK\$'000	Statutory reserve fund HK\$'000	Employee share-based capital reserve HK\$'000	Retained earnings/(accumulated losses) HK\$'000	Total HK\$'000
At 1 August 2012	57,801	90,210	9,584	163,318	45,616	5,110	29,428	401,067
Profit for the period	-	-	-	-	-	-	2,764	2,764
Other comprehensive income								
Exchange differences	-	-	-	15,500	-	-	-	15,500
Total comprehensive income for the period	-	-	-	15,500	-	-	2,764	18,264
Deregistration of a subsidiary	-	-	-	(4,583)	(836)	-	5,419	-
Conversion of bonus warrants (note 17(ii))	104	144	-	-	-	-	-	248
Issuance of shares upon the exercise of share options	1,533	5,730	-	-	-	(2,081)	-	5,182
Share options lapsed during the period	-	-	-	-	-	(80)	80	-
Issuance of new shares (note 17(iii))	5,750	13,424	-	-	-	-	-	19,174
At 31 January 2013	65,188	109,508	9,584	174,235	44,780	2,949	37,691	443,935
At 1 August 2013	67,112	116,778	9,584	181,911	45,137	-	(3,626)	416,896
Loss for the period	-	-	-	-	-	-	(5,273)	(5,273)
Other comprehensive income								
Exchange differences	-	-	-	8,878	-	-	-	8,878
Total comprehensive income/(loss) for the period	-	-	-	8,878	-	-	(5,273)	3,605
Conversion of bonus warrants (note 17(i))	180	252	-	-	-	-	-	432
Equity settled share-based payment transactions	-	-	-	-	-	1,276	-	1,276
At 31 January 2014	67,292	117,030	9,584	190,789	45,137	1,276	(8,899)	422,209

The notes on pages 11 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 January 2014

	Note	Unaudited	
		Six months ended 31 January	
		2014	2013
		HK\$'000	HK\$'000
Cash (used in)/generated from operations		(19,158)	78,438
Income tax paid by the subsidiaries in the People's Republic of China ("PRC")		(4,936)	(7,560)
Net cash (used in)/generated from operating activities		(24,094)	70,878
Net cash used in from investing activities		(14,301)	(20,402)
Net cash generated from/(used in) financing activities		32,474	(61,808)
Net decrease in cash and cash equivalents		(5,921)	(11,332)
Cash and cash equivalents at 1 August		57,305	67,590
Effect of foreign exchange		572	1,062
Cash and cash equivalents at 31 January	13	51,956	57,320

The notes on pages 11 to 37 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, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is a subsidiary of V.S. Industry Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

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 2014 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 21 March 2014.



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 2014 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 2013, 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 judgements, 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 judgements 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 2013.

During the six-month period ended 31 January 2014, the Group reported a net loss of HK\$5,273,000 and had net operating cash outflow of HK\$24,094,000. As at 31 January 2014, the Group’s current liabilities exceeded its current assets by HK\$12,439,000. At the same date, the Group had total borrowings of HK\$476,511,000, of which HK\$265,603,000 will be due for repayment or renewal within 12 months from 31 January 2014.

The above conditions indicate the existence of uncertainties which may cast doubt on the Group’s ability to continue as a going concern. Notwithstanding the above, the interim financial information is prepared on a going concern basis.

In order to improve operating performance, the Group has launched certain new products during the current period, which are expected to bring in new orders to the Group. With regard to the Group’s bank financing, the Group has successfully renewed all its short-term banking facilities, which were due for renewal during the current period, or subsequent to 31 January 2014. Up to the date of approval of the interim financial information, the directors of the Company are not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of the utilised facilities.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 January 2014. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming 12 months. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, including the additional revenue from newly launched products, and the continuous availability of banking facilities. The directors of the Company, after due enquiries and considering the assumptions used in the projections described above and after taking into account the recent successful renewal of all short-term banking facilities, believe that the Group would have sufficient financial resources to meet its financial obligations as and when they fall due within 12 months from the date of the statement of financial position.

Accordingly, the directors of the Company are of the opinion that the adoption of going concern assumption to prepare the interim financial information is appropriate.

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 2013, except as mentioned below.

(a) Effect of adopting new standards, amendments and interpretation to standards

The following new standards, amendments and interpretation to standards are mandatory for accounting periods beginning on or after 1 August 2013. The adoption of these new standards, amendments and interpretation to standards does not have any significant impact to the results and financial position of the Group.

HKFRSs (amendment)	Improvements to HKFRSs 2011
HKFRS 1 (amendment)	Government loans
HKFRS 7 (amendment)	Disclosures – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 10, HKFRS 11 and HKFRS 12 (amendment)	Consolidated financial statements, joint arrangements and interests in other entities: transition guidance
HKFRS 13	Fair value measurements
HKAS 1 (amendment)	Presentation of financial statements
HKAS 19 (amendment)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HK(IFRIC) Int 20	Stripping costs in the production phase of a surface mine

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standard, amendments and interpretation to standards that have been issued but are not yet effective

The following new standard, amendments and interpretation to standards have been issued but are not effective for the period and have not been early adopted by the Group:

HKFRSs (amendment)	Improvements to HKFRSs 2010-2012 cycle ⁽²⁾
HKFRSs (amendment)	Improvements to HKFRSs 2011-2013 cycle ⁽²⁾
HKFRS 7 (amendment)	Mandatory effective date of HKFRS 9 and transition disclosures ⁽²⁾
HKFRS 9	Financial instruments ⁽²⁾
Additions to HKFRS 9	Financial instruments – financial liabilities ⁽²⁾
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment entities ⁽¹⁾
HKAS 19 (amendment)	Defined benefit plans: employee contribution ⁽²⁾
HKAS 32 (amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities ⁽¹⁾
HKAS 36 (amendment)	Recoverable amount disclosures for non-financial assets ⁽¹⁾
HKAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting ⁽¹⁾
HK(IFRIC) Int 21	Levies ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 August 2014.

⁽²⁾ Effective for the Group for annual period beginning on 1 August 2015.

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



Notes to the Condensed Consolidated Interim Financial Information

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 July 2013.

There have been no changes in the risk management policies since 31 July 2013.

As at 31 January 2014, the Group's forward foreign exchange contracts are carried at fair value, by valuation method. The different levels of fair value measurement hierarchy have been defined as follows:

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

Notes to the Condensed Consolidated Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair value measurement of the Group's forward foreign exchange contracts are classified within level 2. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives.

As at 31 January 2014 and 31 July 2013, the Group does not have other financial assets or financial liabilities that are measured at fair value.

4 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 interest 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.

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

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 (if any) 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.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	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	414,933	400,814	207,320	245,904	31,779	36,513	654,032	683,231
Reportable segment revenue	414,933	400,814	207,320	245,904	31,779	36,513	654,032	683,231
Reportable segment result	26,939	16,535	9,376	13,849	2,831	2,372	39,146	32,756
At 31 January/31 July:								
Reportable segment assets	800,436	757,230	205,959	163,856	107,104	105,931	1,113,499	1,027,017
Additions to non-current segment assets during the period	9,961	2,792	692	1,578	16	16	10,669	4,386
Reportable segment liabilities	190,436	189,794	113,924	77,076	11,727	17,819	316,087	284,689

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Turnover		
Reportable segment revenue	654,032	683,231
Consolidated turnover	654,032	683,231

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Segment results		
Reportable segment profit	39,146	32,756
Share of loss of an associate	(240)	(1,738)
Finance costs – net (Note 6(a))	(10,066)	(12,314)
Unallocated depreciation and amortisation	(2,820)	(3,433)
Unallocated operating income and expenses	(27,143)	(8,930)
(Loss)/profit before income tax	(1,123)	6,341

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Assets		
Reportable segment assets	1,113,499	1,027,017
Interest in an associate	21,530	21,770
Unallocated head office and corporate assets	151,450	157,892
Consolidated total assets	1,286,479	1,206,679
Liabilities		
Reportable segment liabilities	316,087	284,689
Unallocated head office and corporate liabilities	548,183	505,094
Consolidated total liabilities	864,270	789,783

(c) Revenue by geographical location

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

	Unaudited Six months ended 31 January	
	2014 HK\$'000	2013 HK\$'000
Mainland China	339,437	355,624
United States of America	129,054	122,156
Europe	123,795	120,816
Hong Kong	23,979	44,421
Northern Asia	22,984	31,356
South East Asia	14,783	8,858
	654,032	683,231

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 Condensed Consolidated Interim Financial Information

5 OTHER GAINS – NET

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Net foreign exchange (loss)/gain	(389)	2,204
Net gain on disposal of property, plant and equipment	6	2
Change in fair value of forward foreign exchange contracts	8,612	5,841
Net (loss)/gain on forward foreign exchange contracts	(959)	8,298
	7,270	16,345

6 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting) the following:

(a) Finance costs – net

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Interest income from bank deposits	(305)	(777)
Interest on bank borrowings repayable within five years	9,036	11,875
Less: borrowing costs capitalised as construction in progress	–	(39)
	9,036	11,836
Other charges	1,335	1,255
	10,371	13,091
Finance costs – net	10,066	12,314

Notes to the Condensed Consolidated Interim Financial Information

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

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Cost of inventories	578,279	615,948
Amortisation of land use rights	322	313
Depreciation of property, plant and equipment	36,391	41,414
Operating lease charges in respect of properties – factory and hostel rentals	5,418	5,174
Provision for impairment on trade receivables	47	99

7 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
PRC corporate income tax	4,484	5,498
Deferred income tax		
Origination and reversal of temporary differences	(334)	(1,921)
	4,150	3,577

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 2014 and 2013.

The Company's PRC subsidiaries are subject to a standard PRC income tax rate of 25%, except for certain subsidiaries granted with a preferential tax rate prior to 1 January 2008 whose applicable tax rate would gradually increase to 25% towards the end of 2012, and a subsidiary which has been granted with a preferential rate of 15% from 1 January 2012 to 31 December 2014 whose applicable tax rates will resume as 25% thereafter.

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

The preferential tax rates applicable to the Company's PRC subsidiaries for the six months ended 31 January 2014 and 2013 are as follows:

Name of subsidiary	Period	Income tax rate
Qingdao GS Electronics Plastic Co., Ltd.	From 1 January 2012 to 31 December 2014	15.0%
	From 1 January 2015 onwards	25.0%
Qingdao GP Electronic Plastics Co., Ltd.	From 1 January 2012 to 31 December 2012	12.5%
	From 1 January 2013 onwards	25.0%

Pursuant to the relevant corporate income tax 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 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) 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 in the deferred tax account is as follows:

Deferred income tax liabilities – unremitted retained profits of PRC subsidiaries

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
At beginning of the period	(2,393)	(2,231)
Charged to the income statement	(225)	(474)
At end of the period	(2,618)	(2,705)

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE (CONTINUED)

(b) Deferred tax assets/(liabilities) (Continued)

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2014	2013
	HK\$'000	HK\$'000
At beginning of the period	2,846	–
Credited to the income statement	559	2,395
At end of the period	3,405	2,395

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$5,273,000 (2013: profit of HK\$2,764,000) and the weighted average number of ordinary shares in issue during the current and the prior period as follows:

	Unaudited	
	Six months ended 31 January	
	2014	2013
(Loss)/profit attributable to equity holders (HK\$'000)	(5,273)	2,764
Weighted average number of ordinary shares in issue ('000)	1,342,680	1,212,005
Basic (loss)/earnings per share (HK cents)	(0.39)	0.23

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings 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 2014, dilutive earnings per share equal basic earnings per share as the exercise of outstanding share options and bonus warrants would be anti-dilutive.

Notes to the Condensed Consolidated Interim Financial Information

8 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (loss)/earnings per share (Continued)

For the period ended 31 January 2013, the Company had share options and bonus warrants that had dilutive potential ordinary shares. Accordingly, a calculation was performed 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	
	2014	2013
(Loss)/profit attributable to equity holders (HK\$'000)	(5,273)	2,764
Weighted average number of ordinary shares in issue ('000)	1,342,680	1,212,005
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)	1,342,680	1,265,547
Diluted (loss)/earnings per share (HK cents)	(0.39)	0.22

Notes to the Condensed Consolidated Interim Financial Information

9 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 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

Notes to the Condensed Consolidated Interim Financial Information

9 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 2013	373,243	20,077	913,282	68,024	26,725	-	1,401,351	32,198	1,433,549
Exchange differences	4,871	260	10,513	909	313	-	16,866	427	17,293
Additions	547	435	9,036	359	1,050	-	11,427	-	11,427
Disposals	-	-	-	(126)	(258)	-	(384)	-	(384)
At 31 January 2014	378,661	20,772	932,831	69,166	27,830	-	1,429,260	32,625	1,461,885
Accumulated depreciation and amortisation									
At 31 July and 1 August 2013	83,010	9,581	623,793	50,317	21,961	-	788,662	6,803	795,465
Exchange differences	1,100	118	6,814	662	274	-	8,968	95	9,063
Charge for the period	4,584	731	28,394	1,662	1,020	-	36,391	322	36,713
Written back on disposals	-	-	-	(114)	(232)	-	(346)	-	(346)
At 31 January 2014	88,694	10,430	659,001	52,527	23,023	-	833,675	7,220	840,895
Net book value									
At 31 January 2014	289,967	10,342	273,830	16,639	4,807	-	595,585	25,405	620,990
At 31 July 2013	290,233	10,496	289,489	17,707	4,764	-	612,689	25,395	638,084

As at 31 January 2014 and 31 July 2013, certain land use rights, property, plant and equipment have been pledged as security for bank loans (note 15).

Notes to the Condensed Consolidated Interim Financial Information

10 INVENTORIES

Inventories comprise:

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Raw materials	59,162	44,925
Work-in-progress	58,998	32,852
Finished goods	60,069	46,367
	178,229	124,144

11 TRADE AND OTHER RECEIVABLES

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Trade receivables	252,589	198,192
Bills receivable	69,027	66,534
Trade and bills receivables – gross	321,616	264,726
Less: provision for impairment	(7,987)	(7,843)
Trade and bills receivables – net	313,629	256,883
Other receivables, prepayments and deposits	45,707	51,105
	359,336	307,988
Less: prepayments (non-current)	(77)	(577)
Total trade and other receivables (current)	359,259	307,411

Notes to the Condensed Consolidated Interim Financial Information

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Current	274,543	228,119
Less than 1 month past due	28,503	17,617
1 to 3 months past due	7,857	7,309
More than 3 months but less than 12 months past due	10,713	11,681
Amounts past due	47,073	36,607
	321,616	264,726

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.

12 BANK DEPOSITS

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Bank deposits with original maturities of over 3 months	45	50
Pledged fixed deposits with banks	21,098	22,514
	21,143	22,564

Notes to the Condensed Consolidated Interim Financial Information

13 CASH AND CASH EQUIVALENTS

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Cash at banks and in hand	71,062	81,285
Cash and cash equivalents	71,062	81,285
Bank overdrafts (note 15)	(19,106)	(23,980)
Cash and cash equivalents in the condensed consolidated cash flow statement	51,956	57,305

14 TRADE AND OTHER PAYABLES

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Trade payables	232,882	220,939
Bills payable	9,545	9,419
Trade and bills payables	242,427	230,358
Payables for the purchase of machinery and equipment	4,624	9,861
Accrued expenses and other payables	130,118	98,698
Trade and other payables – current	377,169	338,917

Notes to the Condensed Consolidated Interim Financial Information

14 TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Due within 1 month or on demand	147,879	142,568
Due after 1 month but within 3 months	67,316	67,716
Due after 3 months but within 6 months	27,232	20,074
	242,427	230,358

15 BORROWINGS

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Current		
Short-term bank borrowings, secured	89,062	63,219
Short-term bank borrowings, unsecured	45,712	38,179
Bank overdrafts, secured	19,106	23,980
Trust receipts bank loans, secured	80,665	57,479
Portion of bank borrowings repayable within one year, secured	31,058	31,022
	265,603	213,879
Non-current		
Bank borrowings repayable after one year but within two years, secured	210,908	31,022
Bank borrowings repayable after two years but within five years, secured	-	195,148
	210,908	226,170
Total borrowings	476,511	440,049

Notes to the Condensed Consolidated Interim Financial Information

15 BORROWINGS (CONTINUED)

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

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Fixed bank deposits	21,098	22,514
Land use rights	25,405	25,395
Plant and machinery	50,956	56,023
Buildings	284,575	284,663
	382,034	388,595

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totaling HK\$499,513,000 (31 July 2013: HK\$513,488,000), were utilised to the extent of HK\$430,799,000 at 31 January 2014 (31 July 2013: HK\$401,870,000). The Group's unsecured banking facilities totalled HK\$167,841,000 (31 July 2013: HK\$211,152,000) and were utilised to the extent of HK\$45,712,000 at 31 January 2014 (31 July 2013: HK\$38,179,000).

16 SHARE OPTION SCHEME

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

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

Notes to the Condensed Consolidated Interim Financial Information

16 SHARE OPTION SCHEME (CONTINUED)

Pursuant to a resolution passed by directors at a meeting of the board on 3 February 2010, the board approved the grant of 86,680,000 share options ("Former Options") under the rules of the Former Share Option Scheme at an exercise price of HK\$0.18 per share. The number of share options granted and their individual exercise price was adjusted to 92,322,000 and HK\$0.169 respectively as a result of the rights issue completed on 16 March 2011.

The Former Options' fair value of HK\$6,736,000 was measured at grant date using the binomial option pricing model. During the period ended 31 January 2014, no employee costs in respect of the Former Options were recognised as all the Former Options had been vested by 31 July 2012.

Pursuant to a resolution passed by directors at a meeting of the Board on 16 December 2013, the board approved the grant of 110,100,000 share options ("New Options") under the rules of the New Share Option Scheme at an exercise price of HK\$0.308 per share. The New Options' fair value of HK\$12,654,000 was measured at grant date using the binomial option pricing model. For the six-month period ended 31 January 2014, an amount of HK\$1,276,000 was recognised as employee costs with a corresponding increase in capital reserve within equity.

- (a) The terms and conditions of the share options granted during the six-month period ended 31 January 2014 are as follows, whereby all options are to be settled by physical delivery of shares:

Date granted	Vesting period	Exercisable period	Exercise price per option HK\$	Number of options
16 December 2013	16 December 2013 to 31 July 2014	1 August 2014 to 31 July 2017	0.308	36,700,000
	16 December 2013 to 31 July 2015	1 August 2015 to 31 July 2017	0.308	36,700,000
	16 December 2013 to 31 July 2016	1 August 2016 to 31 July 2017	0.308	36,700,000
				110,100,000

Pursuant to the rules of the New Share Option Scheme, the New 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

16 SHARE OPTION SCHEME (CONTINUED)

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

	2014		2013	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
At 1 August	N/A	–	0.169	65,063
Exercised during the period	N/A	–	0.169	(30,657)
Lapsed during the period	N/A	–	0.169	(1,172)
Granted during the period	0.308	110,100	N/A	–
At 31 January	0.308	110,100	0.169	33,234
Exercisable at the end of the period	N/A	–	0.169	33,234

(c) Fair value of options and assumptions

The fair value of the options granted on 16 December 2013 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 3.6 years, expected volatility of 64.81% and the risk-free rate of 0.735% based on Hong Kong Exchange Fund Notes.

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE CAPITAL

Authorised and issued share capital

	At 31 January 2014		At 31 July 2013	
	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	1,342,234	67,112	1,156,035	57,801
Exercise of share options	–	–	63,891	3,196
Conversion of bonus warrants (note (i))	3,607	180	7,308	365
Issuance of new shares (note (ii))	–	–	115,000	5,750
At 31 January/31 July	1,345,841	67,292	1,342,234	67,112

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.

(i) Conversion of bonus warrants to ordinary shares

On 16 March 2011, 288,992,000 ordinary shares of the Company ("Rights Shares") were issued at the subscription price of HK\$0.12 each by way of rights issue ("Rights Issue"). 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.

Approximately 7,308,000 and 3,607,000 bonus warrants were exercised and converted into ordinary shares during the year ended 31 July 2013 and six-month period ended 31 January 2014 respectively. An amount equivalent to par value of the shares issued of HK\$365,000 and HK\$180,000 was recognised as share capital during the year ended 31 July 2013 and six-month period ended 31 January 2014 respectively. The premium paid on the conversion of the shares was credited to share premium. The number of outstanding bonus warrant as at 31 July 2013 and 31 January 2014 is 137,122,000 and 133,515,000 respectively.

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE CAPITAL (CONTINUED)

- (ii) During the year ended 31 July 2013, 115,000,000 new shares were issued at the subscription price of HK\$0.168 each to three individual subscribers. The gross proceeds received by the Company were HK\$19,320,000, among which HK\$5,750,000 was credited to share capital account and the balance of HK\$13,424,000 (net of professional fee of HK\$146,000) was credited to the share premium account.

18 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2014 and 31 July 2013 are as follows:

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Contracted but not provided for	-	312

(b) Operating lease commitments

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

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Within one year	5,775	5,663
Two to five years	70	151
	5,845	5,814

Notes to the Condensed Consolidated Interim Financial Information

19 MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the six months ended 31 January 2014, the Group entered into the following material related party transactions:

	Unaudited	
	Six months ended 31 January	
	2014 HK\$'000	2013 HK\$'000
Sales to the ultimate holding company	694	1,156
Sales to an associate	2,584	466
	3,278	1,622
Operating lease charges paid and payable to a company controlled by a director	4,704	4,574
Purchase of fabricated moulds and certain moulded productions and parts from a company controlled by a family member of a director	497	36
Management fee paid and payable to a company controlled by a director	340	330
Sub-contracting fee paid and payable to a company controlled by a family member of a director	8,114	483
Repair and maintenance services paid and payable to a company controlled by a family member of a director	527	298

Notes to the Condensed Consolidated Interim Financial Information

19 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 2014 HK\$'000	At 31 July 2013 HK\$'000
Amount due from a company controlled by a director	2,929	1,894
Amount due from an associate	2,330	236
Amount due from the ultimate holding company	5,048	3,000
Amount due from a company controlled by a family member of a director	-	252
	10,307	5,382

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

(c) Amounts due to related parties included as part of trade and other payables were detailed as follows:

	At 31 January 2014 HK\$'000	At 31 July 2013 HK\$'000
Amounts due to directors	205	205
Amount due to a company controlled by a director	-	1,155
Amounts due to companies controlled by a family member of a director	1,329	3,090
	1,534	4,450

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



Management Discussion and Analysis of Results of Operations

OVERVIEW

During the six-month period under review, the Group continued to pursue its strategy to focus on higher value added products and successfully launched our own original design manufacturer (“ODM”) product.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK\$654.03 million, representing a decrease of HK\$29.20 million or 4.27% as compared to HK\$683.23 million in the corresponding period ended 31 January 2013. The Group’s gross profit during the six months ended 31 January 2014 increased by HK\$8.47 million from HK\$67.28 million representing 9.85% of revenue for the six months ended 31 January 2013 to HK\$75.75 million representing 11.58% of revenue.

As at 31 January 2014, the net current liabilities have improved from HK\$19.99 million as at 31 July 2013 to HK\$12.44 million.

Plastic injection and moulding business

During the period under review, plastic injection and moulding segment remained the Group’s core business and contributed to 63.44% of the Group’s turnover. The Group recorded a turnover of HK\$414.93 million for this segment as compared to HK\$400.81 million in the corresponding period ended 31 January 2013, representing an increase of HK\$14.12 million or 3.52%.

Assembling of electronic products business

Decline in the demand for certain customers’ end products has directly impacted the Group’s business of assembling electronics products. This segment recorded a turnover of HK\$207.32 million, representing a decrease of HK\$38.58 million or 15.69% from HK\$245.90 million in the corresponding period ended 31 January 2013.

Mould design and fabrication business

Due to poor market demand for end products during the period under review, mould design and fabrication segment recorded a turnover of HK\$31.78 million, representing a decrease of HK\$4.73 million or 12.96% as compared to HK\$36.51 million in the corresponding period ended 31 January 2013.



Management Discussion and Analysis of Results of Operations

Distribution costs

Distribution cost amounted to HK\$33.43 million, representing an increase of HK\$6.84 million or 25.72% as compared to HK\$26.59 million in the corresponding period ended 31 January 2013. The increase in distribution costs was mainly due to higher carriage outward of HK\$2.16 million as a result of a specific request by certain overseas customers and sales commission expenses accrued and paid of HK\$4.16 million.

Administrative expenses

Administrative expenses amounted to HK\$42.60 million during the period under review, representing an increase of HK\$4.39 million or 11.49% as compared to HK\$38.21 million in the corresponding period ended 31 January 2013. The increase was primarily due to the increase in manpowers cost during the period under review.

Other gains – net

During the period under review, the Group recorded other net gains of HK\$7.27 million (2013: net gains of HK\$16.35 million), which comprised mainly net gains on foreign exchange of HK\$7.26 million.

Finance costs – net

The net finance costs reduced by 18.20% or HK\$2.24 million to HK\$10.07 million (2013: HK\$12.31 million) mainly due to lower bank borrowings during the period under review.

Share of loss of an associate

The Group's share of loss of an associate of HK\$0.24 million (2013: HK\$1.74 million) was solely attributed to loss incurred by its associate in Vietnam.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2014 (2013: nil).



Future Prospects

In view of uncertainties of the global economy, the operational environment of the Group will continue to be challenging. The electronic manufacturing services industry is extremely competitive and pricing pressure from customers and rising manufacturing costs, especially labour cost, would put a squeeze on its profit margin.

The Group will continue to pursue its two-pronged strategy of focusing on higher value added products and developing our own ODM product which are expected to contribute positively to the performance of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations and investing activities mainly by internally generated operating cash flow and bank borrowing. As at 31 January 2014, the Group had cash and bank deposits of HK\$92.21 million (31 July 2013: HK\$103.85 million), of which HK\$21.10 million (31 July 2013: HK\$22.51 million) was pledged to the banks for the facilities granted to the Group. 31.07%, 68.21% and 0.43% of cash and bank deposits are denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD") respectively.

As at 31 January 2014, the Group had outstanding interest-bearing bank borrowing of HK\$476.51 million (31 July 2013: HK\$440.05 million). The total borrowings were denominated in USD (70.58%), RMB (20.17%), and HKD (9.25%), and the maturity profile is as follows:

Repayable	As at 31 January 2014		As at 31 July 2013	
	HK\$ million	%	HK\$ million	%
Within one year	265.60	55.74	213.88	48.60
After one year but within two years	210.91	44.26	31.02	7.05
After two years but within five years	–	–	195.15	44.35
Total borrowings	476.51	100.00	440.05	100.00
Cash and bank deposits	(92.21)		(103.85)	
Net borrowings	384.30		336.20	

Gearing ratio is calculated based on total borrowings at the end of the period divided by total assets at the end of the period multiplied by 100%. Accordingly the gearing ratio of the Group as at 31 January 2014 was approximately 37.04% (31 July 2013: 36.47%).

As at 31 January 2014, the Group's net current liabilities were HK\$12.44 million (31 July 2013: HK\$19.99 million). As at 31 January 2014, the Group has undrawn bank facilities of HK\$190.84 million for working capital purposes. The Board is confident that the Group is able to generate sufficient operational cash flow to support its working capital requirements.

CHARGES ON ASSETS

As at 31 January 2014, certain assets of the Group with an aggregate carrying value of HK\$382.03 million (31 July 2013: HK\$388.60 million) were pledged to secure loan and trade financing facilities for the Group.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in currencies other than the functional currency of individual group entities. The currencies giving rise to the risk were primarily HKD, USD and Japanese Yen ("JPY").



Other Information

During the period under review, the Group has made net foreign exchange gains of HK\$7.26 million (2013: net foreign exchange gains of HK\$16.34 million) mainly derived from unrealised gain on forward foreign exchange contracts of HK\$8.61 million and partially offset by realised loss on forward foreign exchange contracts of HK\$0.96 million and unrealised foreign exchange loss of HK\$0.39 million.

Most of the Group's sales transactions are denominated in USD and certain payments of the Group were made in RMB, HKD and JPY. In view of fluctuation of the RMB against the 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 2014, the notional amounts of the outstanding forward foreign exchange contracts were USD30.60 million (31 July 2013: USD36.80 million). The management will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisitions and disposals of subsidiaries and associated companies during six months ended 31 January 2014.

SIGNIFICANT INVESTMENTS HELD

During six months ended 31 January 2014, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITIES

As at 31 January 2014, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceeding, nor is the Group aware of any pending or potential material legal proceeding involving the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2014, the Group had a total of 3,901 employees (31 July 2013: 3,755). During the period under review, the Group did not make significant changes to the Group's remuneration policies. Human resource expenses of the Group (excluding Directors' remuneration and equity settled share-based payment expenses) for the period under review amounted to HK\$112.87 million (2013: HK\$103.78 million). The increase in human resource expenses was mainly due to the rise in remuneration paid as a result of the increase in minimum wages imposed by local authorities of the PRC. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.



Other Information

The Group has adopted a provident fund scheme for its employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance. The Group is contributing mandatory government pension scheme for its employees in the PRC.

As a public listed entity, the Group has adopted 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, the Company had not redeemed and the Company nor any of its subsidiaries had purchased 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 2014 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 have been made.

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

As at 31 January 2014, the interests and short positions of the Directors and chief executive of the Company in the shares ("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	77,562,027 Shares (L) (Note 3, 6 and 7)	5.76%
	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

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 Sem Yam	The Company	Beneficial owner	45,337,117 Shares (L) (Note 3, 6 and 7)	3.37%
	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
Gan Chu Cheng	The Company	Beneficial owner	107,668,704 Shares (L) (Note 3, 6 and 7)	8.00%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
Zhang Pei Yu	The Company	Beneficial owner	9,602,000 Shares (L) (Note 3 and 6)	0.71%
Gan Tiong Sia	The Company	Beneficial owner	40,715,074 Shares (L) (Note 4, 6 and 7)	3.03%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	2,613,129 Shares (L) (Note 5, 6 and 7)	0.19%
Tang Sim Cheow	The Company	Beneficial owner	1,839,130 Shares (L) (Note 5 and 6)	0.14%
Lee Soo Gee	The Company	Beneficial owner	1,200,000 Shares (L) (Note 5 and 6)	0.09%

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. 9,600,000 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, 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. 4,500,000 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. 1,200,000 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, Mr. Tang Sim Cheow and Mr. Lee Soo Gee respectively by the Company under its share option scheme, details of which are set out in note 6 below.
6. On 16 December 2013, share options were granted by the Company under its share option scheme, which was adopted on 21 September 2012 and will be valid until 20 September 2022, to, among other eligible participants, the Directors. All these share options, which remained outstanding as at 31 January 2014, are exercisable at a subscription price of HK\$0.308 per share during exercise periods. Details of these share options granted are disclosed in the paragraph headed "Share Option Scheme" on pages 47 to 49.
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 2014 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 19 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 2014, the following entity, 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	800,087,971 (L) (Note 2)	Beneficial owner	59.45%

Notes:

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

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 2014:

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 2013	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2014
Directors									
Beh Kim Ling	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
Gan Sem Yam	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
Gan Chu Cheng	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000

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 2013	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2014
Zhang Pei Yu	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	3,200,000	-	3,200,000
Gan Tiong Sia	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	1,500,000	-	1,500,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	1,500,000	-	1,500,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	1,500,000	-	1,500,000
Diong Tai Pew	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
Tang Sim Cheow	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2013	Exercised during the period	Granted during the period	Lapsed during the period	Outstanding at 31 January 2014
Lee Soo Gee	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	400,000	-	400,000
					-	-	46,500,000	-	46,500,000
Other employees (Note 2)	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	21,200,000	-	21,200,000
		1 August 2015 to 31 July 2017	0.308	N/A	-	-	21,200,000	-	21,200,000
		1 August 2016 to 31 July 2017	0.308	N/A	-	-	21,200,000	-	21,200,000
					-	-	63,600,000	-	63,600,000
					-	-	110,100,000	-	110,100,000

Notes:

- The average closing price of the shares of the Company as stated on the Stock Exchange's daily quotation sheets five trading days immediately before 16 December 2013, being the date of the grant of share options during the year, was HK\$0.308.
- 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).
- There were no share options being cancelled during the six-month period ended 31 January 2014.



Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions (“Code Provisions”) of the Corporate Governance Code (“Code”) as set out in Appendix 14 to the Listing Rules throughout the six months under review except for the deviation from Code Provision A.2.1 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 separated 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 of the Group. 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 2014.

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

Johor Bahru, Malaysia
21 March 2014

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 37, 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 2014 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.

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com



Report on Review of Interim Financial Information



羅兵咸永道

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”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2014