



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)

A large graphic of a globe is centered on the page. The globe is rendered in a golden-yellow color and is surrounded by several concentric, glowing rings in shades of green and blue. The background of the entire page is a light green and blue gradient with abstract, flowing shapes.

INTERIM REPORT
2014/15



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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
Beh Chern Wei (*Alternate Director to Madam Gan Chu Cheng*)

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
Beh Chern Wei (*Alternate Director to Madam 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

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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
Central, Hong Kong



Corporate Information

PRINCIPAL BANKERS

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

SUBSIDIARIES

V.S. International Industry Limited

V.S. Holding Vietnam Limited

Energy Ally Global 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. ECO-TECH (Zhuhai) Co., Ltd.

(formerly known as 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
Shangdong 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 2015, 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 2015

	Note	Unaudited	
		Six months ended 31 January	
		2015	2014
		HK\$'000	HK\$'000
Revenue	4	617,890	654,032
Cost of sales		(526,046)	(578,279)
Gross profit		91,844	75,753
Other (losses)/gains – net	5	(2,295)	7,270
Other income – net		2,245	2,194
Distribution costs		(33,325)	(33,430)
General and administrative expenses		(48,225)	(42,604)
Operating profit		10,244	9,183
Finance costs – net	6(a)	(10,153)	(10,066)
Share of loss of an associate		(766)	(240)
Loss before income tax	6	(675)	(1,123)
Income tax expense	7(a)	(6,915)	(4,150)
Loss for the period attributable to equity holders of the Company		(7,590)	(5,273)
Loss per share attributable to equity holders of the Company during the period (Hong Kong cents)	8		
Basic and diluted		(0.48)	(0.39)

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 2015

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Loss for the period	(7,590)	(5,273)
Other comprehensive (loss)/income for the period		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences	(7,661)	8,878
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	(15,251)	3,605

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 2015

		Unaudited At 31 January 2015 HK\$'000	Audited At 31 July 2014 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	10	529,197	552,700
Land use rights	10	23,973	24,579
Goodwill		2,172	2,172
Interest in an associate		19,358	20,124
Prepayments	12	11,276	1,019
Deferred income tax assets	7(b)	3,280	3,077
		589,256	603,671
Current assets			
Inventories	11	182,720	175,972
Trade and other receivables	12	260,931	328,764
Amounts due from related parties	20(b)	17,526	14,779
Bank deposits	13	22,372	33,254
Cash and cash equivalents	14	133,475	81,309
		617,024	634,078
Total assets		1,206,280	1,237,749
EQUITY			
Capital and reserves			
Share capital	18	88,356	73,900
Share premium		238,081	126,282
Reserves		193,647	208,809
Total equity attributable to equity holders of the Company		520,084	408,991
LIABILITIES			
Non-current liabilities			
Borrowings	16	169,497	195,015
Deferred income tax liabilities	7(b)	634	2,298
		170,131	197,313

Condensed Consolidated Statement of Financial Position

At 31 January 2015

		Unaudited At 31 January 2015 HK\$'000	Audited At 31 July 2014 HK\$'000
	Note		
Current liabilities			
Trade and other payables	15	324,679	364,231
Amounts due to related parties	20(c)	1,862	1,443
Derivative financial instruments		477	295
Borrowings	16	179,420	254,939
Tax payable		9,627	10,537
		516,065	631,445
Total liabilities		686,196	828,758
Total equity and liabilities		1,206,280	1,237,749
Net current assets		100,959	2,633
Total assets less current liabilities		690,215	606,304

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 2015

	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	Accumulated losses HK\$'000	Total HK\$'000
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	180	252	-	-	-	-	-	432
Fair value of employee services under the share option scheme	-	-	-	-	-	1,276	-	1,276
At 31 January 2014	67,292	117,030	9,584	190,789	45,137	1,276	(8,899)	422,209
At 1 August 2014	73,900	126,282	9,584	177,118	45,137	6,325	(29,355)	408,991
Loss for the period	-	-	-	-	-	-	(7,590)	(7,590)
Other comprehensive loss								
Exchange differences	-	-	-	(7,661)	-	-	-	(7,661)
Total comprehensive loss for the period	-	-	-	(7,661)	-	-	(7,590)	(15,251)
Issuance of shares upon exercising of share options	1,122	7,943	-	-	-	(2,154)	-	6,911
Issuance of new shares	13,334	103,856	-	-	-	-	-	117,190
Transferred from retained profits	-	-	-	-	18,823	-	(18,823)	-
Fair value of employee services under the share option scheme	-	-	-	-	-	2,243	-	2,243
At 31 January 2015	88,356	238,081	9,584	169,457	63,960	6,414	(55,768)	520,084

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2015

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	58,646	(19,158)
Income tax paid	(9,692)	(4,936)
Net cash generated from/(used in) operating activities	48,954	(24,094)
Cash flows from investing activities		
Payments for the purchase of property, plant and equipment	(23,080)	(16,163)
Proceeds from disposal of property, plant and equipment	2,637	44
Decrease in bank deposits	10,796	1,513
Interest received	595	305
Net cash used in investing activities	(9,052)	(14,301)
Cash flows from financing activities		
Repayment of bank loans	(258,881)	(238,351)
Proceeds from new bank loans	172,271	280,764
Proceeds from shares issued under the share option scheme	6,911	432
Net proceeds from issuance of new shares	117,190	–
Borrowing costs paid	(10,753)	(10,371)
Net cash generated from financing activities	26,738	32,474
Net increase/(decrease) in cash and cash equivalents	66,640	(5,921)
Cash and cash equivalents at 1 August	67,476	57,305
Effect of foreign exchange rates changes	(641)	572
Cash and cash equivalents at 31 January	133,475	51,956

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 sale 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 ultimately owned by V.S. Industry Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on the Main Market of Bursa Malaysia Security Berhad.

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

This condensed consolidated interim financial information for the six months ended 31 January 2015 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 2015.



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 2015 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 2014, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of this condensed consolidated 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 2014.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 July 2014, except as mentioned below.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) Effect of adopting amendments and interpretation to existing standards

The following amendments and interpretation to existing standards are mandatory for the Group's accounting periods beginning on or after 1 August 2014. The adoption of these amendments and interpretation to existing standards does not have any significant impact on the results and financial position of the Group.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), "Investment Entities";
- Amendments to HKAS 19 (2011), "Employee Benefits – Defined Benefit Plans: Employee Contributions";
- Amendments to HKAS 32, "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities";
- Amendments to HKAS 36, "Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets";
- Amendments to HKAS 39, "Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting";
- HK(IFRIC) – Int 21, "Levies";
- Annual Improvements to HKFRSs 2010-2012 Cycle; and
- Annual Improvements to HKFRSs 2011-2013 Cycle.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

- HKFRS 9, “Financial Instruments”³;
- HKFRS 14, “Regulatory Deferral Accounts”¹;
- HKFRS 15, “Revenue from Contracts with Customers”²;
- Amendments to HKFRS 11, “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”¹;
- Amendments to HKFRS 10, “Consolidated Financial Statements” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹;
- Amendment to HKAS 1, “Presentation of Financial Statements – Disclosure Initiative”¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 41, “Agriculture” on Bearer Plants¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” on Clarification of Acceptable Methods of Depreciation and Amortisation¹;
- Amendments to HKAS 27 (2011), “Separate Financial Statements – Equity Method in Separate Financial Statements”¹; and
- Annual Improvements to HKFRSs 2012-2014 Cycle¹.

¹ Effective for the Group for annual periods beginning on or after 1 August 2016

² Effective for the Group for annual periods beginning on or after 1 August 2017

³ Effective for the Group for annual periods beginning on or after 1 August 2018

The Group will apply these new standards and amendments to existing standards in the period of initial application. The Group is currently assessing the impact of the adoption of the above new standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group’s results of operations and financial position.

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 2014.

There have been no changes in the risk management policies since 31 July 2014.

As at 31 January 2015, the Group's forward foreign exchange contracts are carried at fair values, 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 2015 and 31 July 2014, 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 division, which is 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

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 excluding interest in an associate, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, 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

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

In addition to receiving segment information concerning “segment result”, management is provided with segment information concerning revenue (including inter-segment sales), depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group’s reportable segments as provided to the Group’s 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	
	2015	2014	2015	2014	2015	2014	2015	2014
	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	386,536	414,933	188,971	207,320	42,383	31,779	617,890	654,032
Reportable segment result	25,442	26,939	16,336	9,376	9,258	2,831	51,036	39,146
Additions to non-current segment assets during the period	10,129	9,961	15,172	692	276	16	25,577	10,669
At 31 January/31 July:								
Reportable segment assets	716,162	738,981	174,650	224,739	81,480	95,403	972,292	1,059,123
Reportable segment liabilities	163,278	178,884	87,725	106,708	12,600	13,584	263,603	299,176

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	
	2015	2014
	HK\$'000	HK\$'000
Turnover		
Reportable segment revenue	617,890	654,032
Consolidated turnover	617,890	654,032

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Segment result		
Reportable segment profit	51,036	39,146
Share of loss of an associate	(766)	(240)
Finance costs – net (note 6(a))	(10,153)	(10,066)
Unallocated depreciation and amortisation	(2,248)	(2,820)
Unallocated operating income and expenses	(38,544)	(27,143)
Loss before income tax	(675)	(1,123)

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 2015 HK\$'000	At 31 July 2014 HK\$'000
Assets		
Reportable segment assets	972,292	1,059,123
Interest in an associate	19,358	20,124
Deferred income tax assets	3,280	3,077
Unallocated head office and corporate assets	211,350	155,425
Consolidated total assets	1,206,280	1,237,749
Liabilities		
Reportable segment liabilities	263,603	299,176
Deferred income tax liabilities	634	2,298
Unallocated head office and corporate liabilities	421,959	527,284
Consolidated total liabilities	686,196	828,758

(c) Revenue by geographical locations

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

	Unaudited Six months ended 31 January	
	2015 HK\$'000	2014 HK\$'000
Mainland China	345,154	339,437
United States of America	145,722	129,054
Europe	71,987	123,795
Hong Kong	23,462	23,979
South East Asia	19,269	14,783
Northern Asia	12,296	22,984
	617,890	654,032

An 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 People's Republic of China (the "PRC").

Notes to the Condensed Consolidated Interim Financial Information

5 OTHER (LOSSES)/GAINS – NET

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Net foreign exchange loss	(260)	(389)
Net (loss)/gain on disposal of property, plant and equipment	(2,464)	6
Change in fair value of forward foreign exchange contracts	(477)	8,612
Net gain/(loss) on forward foreign exchange contracts	906	(959)
	(2,295)	7,270

6 LOSS BEFORE INCOME TAX

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

(a) Finance costs – net

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Interest income from bank deposits	(595)	(305)
Interest on bank borrowings repayable within five years	8,852	9,036
Less: borrowing costs capitalised as construction-in-progress	(5)	–
Other finance charges	1,901	1,335
	10,748	10,371
Finance costs – net	10,153	10,066

Notes to the Condensed Consolidated Interim Financial Information

6 LOSS BEFORE INCOME TAX (CONTINUED)

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Cost of inventories	526,046	578,279
Amortisation of land use rights	319	322
Depreciation of property, plant and equipment	29,515	36,391
Operating lease charges in respect of properties – factory and hostel rentals	5,356	5,418
Provision for impairment of trade receivables	668	47

7 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Current income tax		
PRC corporate income tax	7,026	4,484
Deferred income tax		
Origination and reversal of temporary differences	(111)	(334)
	6,915	4,150

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 2015 and 2014.

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

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.

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

(b) Deferred income 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 income tax account is as follows:

Deferred income tax liabilities – unremitted retained profits of PRC subsidiaries

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
At beginning of the period	(2,298)	(2,393)
Payment of withholding tax	1,756	–
Charged to the income statement	(92)	(225)
At end of the period	(634)	(2,618)

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE (CONTINUED)

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

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
At beginning of the period	3,077	2,846
Credited to the income statement	203	559
At end of the period	3,280	3,405

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$7,590,000 (2014: loss of HK\$5,273,000) 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	
	2015	2014
Loss attributable to equity holders (HK\$'000)	(7,590)	(5,273)
Weighted average number of ordinary shares in issue ('000)	1,566,289	1,342,680
Basic loss per share (HK cents)	(0.48)	(0.39)



Notes to the Condensed Consolidated Interim Financial Information

8 LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 31 January 2015 and 31 January 2014, dilutive loss per share equals basic loss per share as the exercise of outstanding share options would be anti-dilutive.

9 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 31 January 2015 and 2014.

Notes to the Condensed Consolidated Interim Financial Information

10 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment HK\$'000	Land use rights HK\$'000
Cost		
At 31 July and 1 August 2013	1,401,351	32,198
Exchange differences	16,866	427
Additions	11,427	–
Disposals	(384)	–
At 31 January 2014	1,429,260	32,625
Accumulated depreciation and amortisation		
At 31 July and 1 August 2013	788,662	6,803
Exchange differences	8,968	95
Charge for the period	36,391	322
Written back on disposals	(346)	–
At 31 January 2014	833,675	7,220
Net book value		
At 31 January 2014	595,585	25,405
At 31 July 2013	612,689	25,395
Cost		
At 31 July and 1 August 2014	1,390,238	31,968
Exchange differences	(14,740)	(382)
Additions	17,390	–
Disposals	(24,299)	–
At 31 January 2015	1,368,589	31,586
Accumulated depreciation and amortisation		
At 31 July and 1 August 2014	837,538	7,389
Exchange differences	(8,463)	(95)
Charge for the period	29,515	319
Written back on disposals	(19,198)	–
At 31 January 2015	839,392	7,613
Net book value		
At 31 January 2015	529,197	23,973
At 31 July 2014	552,700	24,579

As at 31 January 2015 and 31 July 2014, certain land use rights, property, plant and equipment have been pledged as security for bank loans (note 16).

Notes to the Condensed Consolidated Interim Financial Information

11 INVENTORIES

Inventories comprise:

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Raw materials	47,139	54,162
Work-in-progress	50,584	48,307
Finished goods	84,997	73,503
	182,720	175,972

12 TRADE AND OTHER RECEIVABLES

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Trade receivables	186,883	253,272
Bills receivable	55,317	58,676
Trade and bills receivables – gross	242,200	311,948
Less: Provision for impairment	(8,423)	(7,838)
Trade and bills receivables – net	233,777	304,110
Other receivables, prepayments and deposits	38,430	25,673
	272,207	329,783
Less: Prepayments for purchase of property, plant and equipment (non-current)	(11,276)	(1,019)
Total trade and other receivables (current)	260,931	328,764

Notes to the Condensed Consolidated Interim Financial Information

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Neither past due nor impaired	214,061	238,715
Past due for:		
Less than 1 month	10,920	35,325
1 to 3 months	5,293	25,586
More than 3 months	11,926	12,322
	28,139	73,233
	242,200	311,948

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

The Group does not hold any collaterals from customers.

13 BANK DEPOSITS

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Bank deposits with original maturities over three months but within one year	1,733	12,119
Pledged deposits with banks	20,639	21,135
	22,372	33,254

Notes to the Condensed Consolidated Interim Financial Information

14 CASH AND CASH EQUIVALENTS

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Cash and cash equivalents	133,475	81,309
Bank overdrafts (note 16)	–	(13,833)
Cash and cash equivalents in the condensed consolidated statement of cash flows	133,475	67,476

15 TRADE AND OTHER PAYABLES

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Trade payables	207,138	240,276
Bills payable	9,054	9,478
Trade and bills payables	216,192	249,754
Payables for the purchase of property, plant and equipment	10	2,151
Accrued expenses and other payables	108,477	112,326
Trade and other payables	324,679	364,231

Notes to the Condensed Consolidated Interim Financial Information

15 TRADE AND OTHER PAYABLES (CONTINUED)

The aging analysis of the Group's trade and bills payables is as follows:

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Due within 1 month or on demand	137,067	163,371
Due after 1 month but within 3 months	59,283	65,028
Due after 3 months but within 6 months	19,842	21,355
	216,192	249,754

16 BORROWINGS

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Current		
Short-term bank borrowings, secured	62,208	87,766
Short-term bank borrowings, unsecured	30,363	45,066
Bank overdrafts, secured	–	13,833
Trust receipts bank loans, secured	47,310	77,273
Portion of bank borrowings repayable within one year, secured	39,539	31,001
	179,420	254,939
Non-current		
Bank borrowings repayable after one year but within two years, secured	46,517	195,015
Bank borrowings repayable after two years but within five years, secured	122,980	–
	169,497	195,015
Total borrowings	348,917	449,954

Notes to the Condensed Consolidated Interim Financial Information

16 BORROWINGS (CONTINUED)

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

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Bank deposits	20,639	21,135
Buildings	240,661	274,546
Plant and machinery	45,758	48,948
Land use rights	20,049	24,579
	327,107	369,208

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling HK\$445,266,000 (31 July 2014: HK\$481,679,000), were utilised to the extent of HK\$318,554,000 at 31 January 2015 (31 July 2014: HK\$404,888,000). The Group's banking facilities also included certain unsecured banking facilities, totally HK\$65,112,000 (31 July 2014: HK\$185,790,000), which were utilised to the extent of HK\$30,363,000 at 31 January 2015 (31 July 2014: HK\$45,066,000).

17 SHARE OPTION SCHEME

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

Pursuant to the 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 under the rules of the share option scheme at an exercise price of HK\$0.308 per share. The options' fair value of HK\$12,654,000 was measured at grant date using the binomial option pricing model. For the period ended 31 January 2015, an amount of HK\$2,243,000 (period ended 31 January 2014: HK\$1,276,000) was recognised as employee costs with a corresponding increase in capital reserve within equity.

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE OPTION SCHEME (CONTINUED)

Pursuant to the resolution duly passed at the annual general meeting of the Company ("AGM") held on 17 December 2014, the Company refreshed the existing share option scheme limit up to 10% of the issued share capital of the Company as at the date of AGM. As at the date of the AGM, there were 1,763,221,547 shares of the Company in issue. Accordingly, the refreshed mandate was 176,322,154 shares of the Company.

- (a) The terms and conditions of the share options granted during the period 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 share option scheme, the 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

17 SHARE OPTION SCHEME (CONTINUED)

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

	2015		2014	
	Exercise price HK\$	Number of options '000	Exercise price HK\$	Number of options '000
At 1 August	0.308	110,100	N/A	–
Exercised during the period	0.308	(22,440)	N/A	–
Granted during the period	N/A	–	0.308	110,100
At 31 January	0.308	87,660	0.308	110,100
Exercisable at the end of the period	0.308	14,260	N/A	–

(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

18 SHARE CAPITAL

Authorised and issued share capital

	At 31 January 2015		At 31 July 2014	
	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	1,478,002	73,900	1,342,234	67,112
Issuance of shares upon exercising of share options	22,440	1,122	–	–
Conversion of bonus warrants	–	–	135,768	6,788
Issuance of new shares (note)	266,680	13,334	–	–
At 31 January/31 July	1,767,122	88,356	1,478,002	73,900

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.

Note:

During the period ended 31 January 2015, 266,680,000 new shares were issued at a subscription price of HK\$0.45 each. The gross proceeds received by the Company were HK\$120,006,000, among which HK\$13,334,000 was credited to the share capital account and the balance of HK\$103,856,000 (net of professional fee of HK\$2,816,000) was credited to the share premium account.

Notes to the Condensed Consolidated Interim Financial Information

19 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2015 and 31 July 2014 are as follows:

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Contracted but not provided for	23,169	–

(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 2015 HK\$'000	At 31 July 2014 HK\$'000
Within one year	5,281	5,593

Notes to the Condensed Consolidated Interim Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

- (a) During the six months ended 31 January 2015, the Group entered into the following significant related party transactions:

	Unaudited	
	Six months ended 31 January	
	2015	2014
	HK\$'000	HK\$'000
Sales to the ultimate holding company	8,102	694
Sales to an associate	8,878	2,584
	16,980	3,278
Operating lease charges paid and payable to a company controlled by a director	4,669	4,704
Purchase of fabricated moulds and certain moulded products and parts from a company controlled by a family member of a director	–	497
Management fee paid and payable to a company controlled by a director	319	340
Sub-contracting fee paid and payable to a company controlled by a family member of a director	4,149	8,114
Repair and maintenance services paid and payable to a company controlled by a family member of a director	508	527

The transactions described above are entered into at terms and prices mutually agreed between the relevant parties.

Notes to the Condensed Consolidated Interim Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Amount due from a company controlled by a director	2,179	2,267
Amount due from an associate	13,432	6,359
Amount due from the ultimate holding company	1,915	6,140
Amount due from a company controlled by the family member of a director	-	13
	17,526	14,779

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

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

	At 31 January 2015 HK\$'000	At 31 July 2014 HK\$'000
Amounts due to directors	234	205
Amount due to the ultimate holding company	4	21
Amounts due to companies controlled by the family member of a director	1,624	1,217
	1,862	1,443

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

Notes to the Condensed Consolidated Interim Financial Information

21 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

On 5 February 2015, the Group entered into an acquisition agreement (the “Agreement”) to acquire from a third party 20% of equity interest of a company involving in a solar energy project in Inner Mongolia, the PRC at a consideration of RMB44,000,000 (approximately HK\$55,000,000), the completion of which is subject to the fulfilment of certain conditions set out in the Agreement. Under the Agreement, the Group also entitles to an option for acquiring the remaining 80% of the acquiree’s equity interest at its sole discretion and subject to the fulfilment of certain conditions set out therein.

On 9 March 2015, the Group issued 53,000,000 new shares at HK\$0.55 each to two individuals with gross proceeds of HK\$29,150,000 by the way of placement.



Management Discussion and Analysis of Results of Operations

OVERVIEW

During the six-month period under review, the Group continued to improve its profit margin with its strategy to focus on higher value added products.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK\$617.89 million, representing a decrease of HK\$36.14 million or 5.53% as compared to HK\$654.03 million in the corresponding period ended 31 January 2014. Gross profit during the six months ended 31 January 2015 increased by HK\$16.09 million from HK\$75.75 million representing 11.58% of the Group's revenue for the six months ended 31 January 2014 to HK\$91.84 million representing 14.86% of the Group's revenue for the six months ended 31 January 2015.

The Group's operating expense increased from HK\$76.03 million to HK\$81.55 million representing an increase of HK\$5.52 million over the corresponding period. The loss for the period increased from HK\$5.27 million for the six months ended 31 January 2014 to HK\$7.59 million for the six months ended 31 January 2015. The net current assets have made a significant improvement from HK\$2.63 million as at 31 July 2014 to HK\$100.96 million as at 31 January 2015.

Plastic injection and moulding business

During the period under review, plastic injection and moulding segment remained the Group's core business and contributed to 62.56% of the Group's turnover. The Group recorded a turnover of HK\$386.54 million for this segment for the six months ended 31 January 2015 as compared to HK\$414.93 million in the corresponding period ended 31 January 2014, representing a decrease of HK\$28.39 million or 6.84%.

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\$188.97 million for the six months ended 31 January 2015, representing a decrease of HK\$18.35 million or 8.85% from HK\$207.32 million in the corresponding period ended 31 January 2014.

Mould design and fabrication business

During the period under review, the mould design and fabrication segment recorded a turnover of HK\$42.38 million, representing an increase of HK\$10.60 million or 33.35% as compared to HK\$31.78 million in the corresponding period ended 31 January 2014.



Management Discussion and Analysis of Results of Operations

Distribution costs

Distribution cost amounted to HK\$33.33 million, representing a slight decrease of HK\$0.10 million or 0.30% as compared to HK\$33.43 million in the corresponding period ended 31 January 2014.

General and administrative expenses

General and administrative expenses amounted to HK\$48.23 million during the period under review, representing an increase of HK\$5.63 million or 13.22% as compared to HK\$42.60 million in the corresponding period ended 31 January 2014. The increase was primarily due to the increase in equity settled share-based payment expenses of HK\$0.97 million and personnel expenses of HK\$2.23 million.

Other (losses)/gains – net

During the period under review, the Group recorded other net losses of HK\$2.30 million, as compared to net gain of HK\$7.27 million in the six months ended 31 January 2014, mainly due to net losses on disposal of property, plant and equipment of HK\$2.46 million and the absence of the fair value gain of forward foreign exchange contracts of HK8.61 million.

Finance costs – net

The net finance costs for the period under review slightly increased by 0.79% or HK\$0.08 million from HK\$10.07 million in the corresponding period ended 31 January 2014 to HK\$10.15 million.

Share of loss of an associate

The Group's share of loss of an associate of HK\$0.77 million (2014: HK\$0.24 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 2015 (2014: nil).



Future Prospects

In view of the uncertainty of the global economy, the Group has been operating under an extremely challenging and competitive environment. Against this backdrop, the Group has been looking for suitable opportunities to diversify its income and asset base to enhance Shareholder value. Thus on 5 February 2015, the Company announced that one of its wholly owned subsidiaries has entered into an conditional acquisition agreement to acquire 20% equity interest in a company holding a solar power plant project in the Inner Mongolia Region, the PRC, with an option to acquire the remaining 80% equity interest in such company. Further, as set out in the Company's announcement dated 16 April 2015, a subsidiary of the Company entered into another agreement on 16 April 2015 pursuant to which the subsidiary conditionally agreed to acquire the entire equity interest in a company developing solar plant projects in Zhuhai, the PRC. The acquisitions provided the Group with investment opportunities to tap into the solar energy industry, which are expected to generate revenue and stable cashflow to the Group.

The Group will continue to emphasise on providing a full range of integrated manufacturing services to its customers. With the potential exposure in the solar energy industry, the Group can also explore any business potential in its value chain such as manufacturing and assembling parts and modules required for solar power plants, capitalising on the Group existing strengths and expertise.

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 borrowings. As at 31 January 2015, the Group had cash and bank deposits of HK\$155.85 million (31 July 2014: HK\$114.56 million), of which HK\$20.64 million (31 July 2014: HK\$21.14 million) was pledged to the banks for the facilities granted to the Group. 31.13%, 41.60% and 27.25% of cash and bank deposits are denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HK\$"), respectively.

As at 31 January 2015, the Group had outstanding interest-bearing bank borrowings of HK\$348.92 million (31 July 2014: HK\$449.95 million). The total borrowings were denominated in USD (82.23%) and RMB (17.77%) and the maturity profile is as follows:

Repayable	As at 31 January 2015		As at 31 July 2014	
	HK\$ million	%	HK\$ million	%
Within one year	179.42	51.42	254.94	56.66
After one year but within two years	46.52	13.33	195.01	43.34
After two years but within five years	122.98	35.25	–	–
Total borrowings	348.92	100.00	449.95	100.00
Cash and bank deposits	(155.85)		(114.56)	
Net borrowings	193.07		335.39	

As at 31 January 2015, the Group's net current assets were HK\$100.96 million (31 July 2014: HK\$2.63 million). As at 31 January 2015, the Group had undrawn bank facilities of HK\$161.46 million for working capital purposes. The improvement in net current assets position was mainly due to the placement of 266,680,000 shares of the Company on 9 December 2014 which raised net proceeds of approximately HK\$117.0 million to the Group.

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 2015 was 28.93% (31 July 2014: 36.35%).

CHARGES ON ASSETS

As at 31 January 2015, certain assets of the Group with an aggregate carrying value of HK\$327.11 million (31 July 2014: HK\$369.21 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 HK\$ and USD.



Other Information

During the period under review, the Group made net foreign exchange gains of HK\$0.17 million (2014: net foreign exchange gains of HK\$7.26 million) mainly due to the realised gain on forward foreign exchange contracts of HK\$0.91 million, unrealised and realised foreign exchange loss of HK\$0.26 million and unrealised loss on forward foreign exchange contracts of HK\$0.48 million.

Most of the Group's sales transactions were denominated in USD and certain payments of the Group were made in RMB and HK\$. 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 2015, the notional amounts of the outstanding forward foreign exchange contracts were USD10.60 million (31 July 2014: USD20.50 million). 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 2015.

SIGNIFICANT INVESTMENTS HELD

During six months ended 31 January 2015, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITIES

As at 31 January 2015, the Group had not provided any form of guarantee for any company outside of 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 2015, the Group had a total of 2,940 employees (31 July 2014: 3,584). During the period under review, the Group did not make significant change 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\$105.67 million (2014: HK\$112.87 million). The decrease in human resource expenses was mainly due to the reduction in the number of employees during the period under review. 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 (Chapter 485 of the Laws of Hong Kong). The Group is contributing mandatory government pension scheme for its employees in the PRC.

As a publicly listed entity, the Group has adopted a share option scheme to provide incentives to eligible directors and employees to participate in the Group'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.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2015 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 2015, 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) (Notes 3 and 8)	4.39%
	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) (Notes 3 and 8)	2.57%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
Gan Chu Cheng	The Company	Beneficial owner	50,668,704 Shares (L) (Notes 4 and 8)	2.87%
	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	7,110,000 Shares (L) (Notes 5 and 8)	0.40%
Gan Tiong Sia	The Company	Beneficial owner	20,215,074 Shares (L) (Notes 6 and 8)	1.14%
	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) (Notes 7 and 8)	0.15%
Tang Sim Cheow	The Company	Beneficial owner	1,839,130 Shares (L) (Notes 7 and 8)	0.10%
Lee Soo Gee	The Company	Beneficial owner	1,200,000 Shares (L) (Notes 7 and 8)	0.07%

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 outstanding share options granted to each of the executive Directors, namely Mr. Beh Kim Ling and Mr. Gan Sem Yam respectively by the Company under its share option scheme, details of which are set out in note 8 below, as at 31 January 2015.
4. 6,400,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, Madam Gan Chu Cheng by the Company under its share option scheme, details of which are set out in note 8 below, as at 31 January 2015.
5. 7,108,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, Mr. Zhang Pei Yu by the Company under its share option scheme, details of which are set out in note 9 below, as at 31 January 2015.
6. 3,000,000 of these Shares would be allotted and issued upon exercise in full of the outstanding 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 8 below, as at 31 January 2015.
7. 1,200,000 of these Shares would be allotted and issued upon exercise in full of the outstanding 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 8 below, as at 31 January 2015.
8. 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. These share options, all of which remained outstanding as at 31 January 2015, are exercisable at a price of HK\$0.308 per Share during the exercise periods. Details of these share options are disclosed in the paragraph headed "SHARE OPTION SCHEME" on pages 47 to 49 of this interim Report.

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 2015 was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 20 to the interim financial information of the Group, 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 2015, 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 (Note 1)	Nature of interest/capacity	Approximate percentage of Interest
V.S. Industry Berhad	800,087,971 (L)	Beneficial owner	45.28%

Note:

1. The letter "L" represents the shareholder's long position interest in the shares of the Company.

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 2015:

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 2014	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2015
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	0.520	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 2014	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2015
Zhang Pei Yu	16 December 2013	1 August 2014 to 31 July 2017	0.308	0.608	3,200,000	2,492,000	-	-	708,000
		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	0.514	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 2014	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2015
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	7,192,000	-	-	39,308,000
Other employees (Note 2)	16 December 2013	1 August 2014 to 31 July 2017	0.308	0.508	21,200,000	15,248,000	-	-	5,952,000
		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	15,248,000	-
					110,100,000	22,440,000	-	-	87,660,000

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 of the Laws of Hong Kong).
- There were no share options being cancelled during the six-month period ended 31 January 2015.



Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions (“Code Provisions”) of the Corporate Governance Code (“CG 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 under the CG Code, 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. As the founder of the Group, Mr. Beh Kim Ling has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group’s operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

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 with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2015.

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

Macau, the PRC
21 March 2015

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 2015 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.

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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 2015