V.S. INTERNATIONAL GROUP LIMITED
威 鋮 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2013

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") would like to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 January 2013, which have not been audited by the independent auditor of the Group, PricewaterhouseCoopers ("**PwC**"), but have been reviewed by PwC under Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and the audit committee ("**Audit Committee**") of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2013

	Note	**Unaudited At 31 January 2013 *HK$'000***	Audited At 31 July 2012 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**650,923**	672,430
Land use rights		**25,363**	25,107
Goodwill		**2,172**	2,172
Interest in an associate		**23,552**	25,290
Deferred income tax assets		**2,395**	–
		704,405	724,999
Current assets			
Inventories		**110,184**	143,825
Trade and other receivables	*8*	**352,379**	366,554
Derivative financial instruments		**5,841**	–
Bank deposits		**35,225**	39,218
Cash and cash equivalents		**77,638**	90,848
		581,267	640,445
Total assets		**1,285,672**	1,365,444
EQUITY			
Share capital		**65,188**	57,801
Reserves		**378,747**	343,266
Total equity attributable to equity holders of the Company		**443,935**	401,067
LIABILITIES			
Non-current liabilities			
Other payables		**–**	11,081
Borrowings		**241,759**	257,125
Deferred income tax liabilities		**2,705**	2,231
		244,464	270,437

	Note	Unaudited At 31 January 2013 HK$'000	Audited At 31 July 2012 HK$'000
Current liabilities			
Trade and other payables	9	**330,350**	360,974
Derivative financial instruments		**–**	6,412
Borrowings		**258,371**	316,180
Tax payable		**8,552**	10,374
		597,273	693,940
Total liabilities		**841,737**	964,377
Total equity and liabilities		**1,285,672**	1,365,444
Net current liabilities		**(16,006)**	(53,495)
Total assets less current liabilities		**688,399**	671,504

Notes:

1 Basis of preparation and accounting policies

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

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

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

(i) Effect of adopting amendments to existing standards

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

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

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

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

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

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

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

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

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

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

As at 31 January 2013, the Group's current liabilities exceeded its current assets by HK$16,006,000. This condition indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 January 2013, the Group had undrawn banking facilities of HK$231,000,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew its current bank loans upon expiry or to obtain additional banking facilities in order to improve the liquidity position.

The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks which enhance the Group's ability to renew the current bank loans upon expiry or to secure other adequate banking facilities to enable the Group to meet its financial obligations as and when they fall due for the twelve months from the balance sheet date of this interim financial information. Accordingly, the interim financial information has been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the interim financial information.

2 Segment reporting

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

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

(a) Segment results, assets and liabilities

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

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

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

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

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

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

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

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

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

	Unaudited Six months ended 31 January 2013 *HK$'000*	Unaudited Six months ended 31 January 2012 *HK$'000*
Segment result		
Reportable segment profit	**32,756**	48,548
Share of losses of associates	**(1,738)**	(879)
Finance costs – net	**(12,314)**	(19,120)
Unallocated depreciation and amortisation	**(3,433)**	(2,991)
Unallocated operating income and expenses	**(8,930)**	(30,986)
Profit/(loss) before income tax	**6,341**	(5,428)

	At 31 January 2013 *HK$'000*	At 31 July 2012 *HK$'000*
Assets		
Reportable segment assets	**1,094,310**	1,154,566
Interest in an associate	**23,552**	25,290
Unallocated head office and corporate assets	**167,810**	185,588
Consolidated total assets	**1,285,672**	1,365,444
Liabilities		
Reportable segment liabilities	**286,600**	331,284
Unallocated head office and corporate liabilities	**555,137**	633,093
Consolidated total liabilities	**841,737**	964,377

(c) Revenue by geographical locations

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

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

3 Other gains/(losses) – net

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

4 Profit/(loss) before income tax

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

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

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

5 Income tax expense

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

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the six months ended 31 January 2013 and 2012.

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

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

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

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

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

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

6 Dividends

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

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 January 2013 and 2012.

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

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

7 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

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

(b) Diluted earnings/(loss) per share

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

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

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

8 Trade and other receivables

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

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

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

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

9 Trade and other payables

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

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

FINANCIAL REVIEW

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

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

Plastic injection and moulding business

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

Assembling of electronic products business

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

Mould design and fabrication business

Mould design and fabrication is a key business segment for the Group to solicit new customers and new products from existing customers. However, due to poor market demand for end products during the period under review, mould design and fabrication segment recorded a turnover of HK$36.51 million, a significant decrease of HK$25.85 million or 41.45% as compared to HK$62.36 million the corresponding period.

Distribution costs

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

Administrative expenses

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

Other gains/(losses) – net

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

Finance costs – net

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

Share of losses of associates

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

Future Prospects

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

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

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations and investing activities mainly by internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 January 2013, the Group had cash and bank deposits of HK$112.86 million (31 July 2012: HK$130.07 million), of which HK$30.05 million (31 July 2012: HK$32.73 million) was pledged to the banks for the facilities granted to the Group. The cash and bank deposits were denominated in the currencies of United States dollars ("USD") 51.04%, Renminbi ("RMB") 47.77%, and Hong Kong dollars ("HKD") 1.19%.

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

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

As at 31 January 2013, the Group's net current liabilities were HK$16.01 million (31 July 2012: HK$53.50 million). As at 31 January 2013, the Group has undrawn bank facilities of HK$231.00 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

CHARGES ON ASSETS

As at 31 January 2013, certain assets of the Group with aggregate carrying value of HK$402.75 million (31 July 2012: HK$414.87 million) were pledged to secure loan and trade financing facilities for the Group.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in other than the functional currency to which they relate. The currencies giving rise to the risk were primarily USD, RMB, and Japanese Yen. During the period under review, the Group recorded a net foreign exchange gain of HK$16.34 million (2012: net foreign exchange gain of HK$5.97 million) mainly due to realised gain on forward exchange contract of HK$8.30 million, unrealised foreign exchange gain of HK$2.20 million and unrealised gain on forward exchange contract of HK$5.84 million.

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2013, the Group had a total of 4,107 employees (31 July 2012: 4,335). During the period under review, the Group did not make significant changes to the Group's remuneration policies for its employees. Employees' cost to the Group (excluding Directors' remuneration and equity settled share-based payment expenses) for the period under review amounted to HK$103.78 million (2012: HK$143.04 million). The decrease in employees' cost was mainly due to the reduction in the number of employees employed during the period under review. The Group's remuneration package is reviewed on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resource market government regulations and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group has recognised the need for the improvement of employees' technical knowledge, welfare and well being, so as to attract and retain quality and dedicated employees towards the future growth of the Group.

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

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

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

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

EXTRACT OF THE DRAFT REVIEW REPORT BY PwC ON THE GROUP'S INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 JANUARY 2013

"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".

Emphasis of matter

We draw attention to note 1 to the interim financial information which describes that as at 31 January 2013, the Group's current liabilities exceeded its current assets by HK$16,006,000. This, along with other matters as described in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our conclusion is not qualified in respect of this matter."

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period under review with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2013.

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

Macau, the PRC
23 March 2013

List of all Directors as at the date of this announcement

Executive Directors:
Mr. Beh Kim Ling
Mr. Gan Sem Yam
Madam Gan Chu Cheng
Mr. Zhang Pei Yu

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

Non-executive Director:
Mr. Gan Tiong Sia