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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2013

HIGHLIGHTS

- Turnover decreased by 19.33% to HK\$1,220.63 million;
- Loss attributable to equity holders of the Company was HK\$38.20 million;
- Basic loss per share was 3.04 Hong Kong cents.

The Board (“**Board**”) of directors (“**Directors**”) of V.S. International Group Limited (“**Company**”) would like to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the financial year ended 31 July 2013, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with comparative figures for the previous financial year. The figures in respect of the preliminary announcement of the Group’s results for the financial year ended 31 July 2013 have been compared by the Company’s auditor, PricewaterhouseCoopers, Certified Public Accountants, with the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 July 2013 and the amounts were found to be in agreement. The work performed by PricewaterhouseCoopers in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement. In addition, this announcement (including the annual results) has been reviewed by the audit committee of the Company (“**Audit Committee**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	2	1,220,632	1,513,099
Cost of sales		<u>(1,113,584)</u>	<u>(1,364,572)</u>
Gross profit		107,048	148,527
Other income	3	1,312	7,171
Other gains/(losses) – net	3	21,690	(26,400)
Distribution costs		<u>(52,101)</u>	<u>(68,394)</u>
Administrative expenses		<u>(80,966)</u>	<u>(84,705)</u>
Operating loss	4	<u>(3,017)</u>	<u>(23,801)</u>
Finance income		1,112	887
Finance costs		<u>(23,083)</u>	<u>(35,903)</u>
Finance costs – net	5	<u>(21,971)</u>	<u>(35,016)</u>
Share of losses from associates		<u>(3,520)</u>	<u>(590)</u>
Loss before income tax		<u>(28,508)</u>	<u>(59,407)</u>
Income tax expense	6	<u>(9,689)</u>	<u>(14,289)</u>
Loss for the year		<u><u>(38,197)</u></u>	<u><u>(73,696)</u></u>
Attributable to:			
Equity holders of the Company		(38,197)	(73,785)
Non-controlling interests		<u>–</u>	<u>89</u>
Loss for the year		<u><u>(38,197)</u></u>	<u><u>(73,696)</u></u>
Loss per share attributable to equity holders of the Company during the year (<i>Hong Kong cents</i>)			
Basic and diluted	8	<u><u>(3.04)</u></u>	<u><u>(6.38)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		612,689	672,430
Land use rights		25,395	25,107
Goodwill		2,172	2,172
Interest in an associate		21,770	25,290
Prepayments		577	–
Deferred income tax assets		2,846	–
		<u>665,449</u>	<u>724,999</u>
Current assets			
Inventories		124,144	143,825
Trade and other receivables	9	302,029	360,580
Amounts due from related parties		5,382	5,974
Derivative financial instruments		5,826	–
Bank deposits		22,564	39,218
Cash and cash equivalents		81,285	90,848
		<u>541,230</u>	<u>640,445</u>
Total assets		<u>1,206,679</u>	<u>1,365,444</u>
Equity			
Share capital		67,112	57,801
Share premium		116,778	90,210
Reserves		233,006	253,056
Total equity attributable to equity holders of the Company		<u>416,896</u>	<u>401,067</u>

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Other payables	<i>10</i>	–	11,081
Borrowings		226,170	257,125
Deferred income tax liabilities		2,393	2,231
		<u>228,563</u>	<u>270,437</u>
Current liabilities			
Trade and other payables	<i>10</i>	334,467	358,982
Amounts due to related parties		4,450	1,992
Derivative financial instruments		–	6,412
Borrowings		213,879	316,180
Tax payables		8,424	10,374
		<u>561,220</u>	<u>693,940</u>
Total liabilities		<u>789,783</u>	<u>964,377</u>
Total equity and liabilities		<u>1,206,679</u>	<u>1,365,444</u>
Net current liabilities		<u>(19,990)</u>	<u>(53,495)</u>
Total assets less current liabilities		<u>645,459</u>	<u>671,504</u>

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) Going concern basis

As at 31 July 2013, the Group’s current liabilities exceeded its current assets by HK\$19,990,000 and the Group incurred a net loss of HK\$38,197,000, during the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. As at 31 July 2013, the Group had undrawn facilities of HK\$285,000,000 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 reporting date of these consolidated financial statements. Accordingly, the consolidated financial statements have 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 and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(b) Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 July 2012:

- HKAS 1 (Revised) (Amendment), “Presentation of items of other comprehensive income”
- HKAS 12 (Amendment), “Deferred tax: Recovery of underlying assets”

The adoption of these amendments to standards did not have any significant impact on the results and financial position of the Group.

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

The following published standards, and amendments and interpretations to existing standards are mandatory for the Group's accounting periods beginning on or after 1 August 2013 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), "Investments in associates and joint ventures" ¹;
- HKFRS 9, "Financial instruments" ¹;
- HKFRS 10, "Consolidated financial statements" ¹;
- HKFRS 11, "Joint arrangements" ¹;
- HKFRS 12, "Disclosure of interests in other entities" ¹;
- HKFRS 13, "Fair value measurement" ¹;
- Amendments to HKAS 32, "Financial instruments: Presentation – Offsetting financial assets and financial liabilities" ²;
- Amendments to HKAS 36, "Recoverable amount disclosures for non-financial assets" ²;
- Amendments to HKFRS 7, "Financial instruments: Disclosures – Offsetting financial assets and financial liabilities" ¹;
- Amendments to HKFRS 10, "Consolidated financial statements" ¹;
- Amendments to HKFRS 11, "Joint arrangements" ¹;
- Amendments to HKFRS 12, "Disclosure of interests in other entities: Transition guidance" ¹;
- Amendments to HKAS 27 (2011), "Investment entities" ²;
- HK (IFRIC) – Int 20, "Stripping costs in the production phase of a surface mine" ¹; and
- HK (IFRIC) – Int 21, "Levies" ².

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 the above new standards, interpretations and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

2. Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors assess the performance of the single operating segment based on a measure of profit before share of result from an associate, finance income, finance costs and income tax expense. The executive directors consider the business from services perspective only. From services perspective, management assesses the performance of following three reportable segments and regards these being the 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

Revenue for the year consists of the following:

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Plastic injection and moulding	729,805	924,118
Assembling of electronic products	430,904	488,934
Mould design and fabrication	59,923	100,047
	<u>1,220,632</u>	<u>1,513,099</u>

The Group's customer base is diversified but includes three individual customers with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2013 (2012: three).

(i) **Segment results, assets and liabilities**

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

Segment assets include all tangible and current assets other than interest in an associate, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, accruals and bills payable attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

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

Information regarding the Group's reportable segments as provided to the Group's executive directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 July 2013 and 2012 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue from external customers	729,805	924,118	430,904	488,934	59,923	100,047	1,220,632	1,513,099
Reportable segment result	16,494	30,147	20,950	7,729	5,336	14,513	42,780	52,389
<i>Other segment information</i>								
Depreciation and amortisation for the year	(49,079)	(55,121)	(15,659)	(19,735)	(11,011)	(13,618)	(75,749)	(88,474)
Provision for impairment of receivables	(930)	(572)	–	–	–	(69)	(930)	(641)
Reportable segment assets	757,230	819,988	163,856	220,172	105,931	114,406	1,027,017	1,154,566
Addition to non-current segment assets during the year	8,928	19,214	2,303	3,222	172	2,103	11,403	24,539
Reportable segment liabilities	189,794	203,458	77,076	109,930	17,819	17,896	284,689	331,284

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	1,220,632	1,513,099
Consolidated turnover	<u>1,220,632</u>	<u>1,513,099</u>
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit or loss		
Reportable segment profit	42,780	52,389
Finance income	1,112	887
Finance costs	(23,083)	(35,903)
Unallocated depreciation and amortisation	(7,723)	(5,860)
Unallocated head office and corporate expenses	(38,074)	(70,330)
Share of losses from associates	(3,520)	(590)
Consolidated loss before income tax	<u>(28,508)</u>	<u>(59,407)</u>
Assets		
Reportable segment assets	1,027,017	1,154,566
Interest in an associate	21,770	25,290
Deferred income tax assets	2,846	–
Unallocated head office and corporate assets	155,046	185,588
Consolidated total assets	<u>1,206,679</u>	<u>1,365,444</u>
Liabilities		
Reportable segment liabilities	284,689	331,284
Deferred income tax liabilities	2,393	2,231
Unallocated head office and corporate liabilities	502,701	630,862
Consolidated total liabilities	<u>789,783</u>	<u>964,377</u>

During the year ended 31 July 2013, the Group's business is operated in six (2012: seven) major economic environments.

Revenue from external customers is analysed as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Mainland China	634,655	812,977
United States of America	254,733	291,214
Europe	214,210	89,006
Hong Kong	62,401	207,681
Northern Asia	45,413	77,033
South East Asia	9,220	34,641
South Africa	–	547
	<hr/>	<hr/>
	1,220,632	1,513,099
	<hr/> <hr/>	<hr/> <hr/>

3. Other income and other gains/(losses) – net

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Other income		
Rental income	898	–
Sales of scrap materials	414	3,833
Others	–	3,338
	<hr/>	<hr/>
	1,312	7,171
	<hr/> <hr/>	<hr/> <hr/>
Other gains/(losses) – net		
Net foreign exchange gain	1,635	189
Changes in fair value of forward foreign exchange contracts	5,826	(6,412)
Net gain on forward foreign exchange contracts	14,424	4,382
Net loss on disposal of property, plant and equipment	(195)	(25,496)
Gain on disposal of an associate	–	937
	<hr/>	<hr/>
	21,690	(26,400)
	<hr/> <hr/>	<hr/> <hr/>

4. Operating loss

The Group's operating loss is arrived at after charging the following:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of inventories	1,113,584	1,364,572
Staff costs	224,195	285,927
Auditors' remuneration	1,710	2,018
(Write-back of provision)/provision for impairment of		
– trade receivables	(94)	42
– other receivables	1,024	599
– inventories	(441)	11,063
Amortisation of land use rights	632	621
Depreciation	82,840	93,713
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	11,082	11,023
Fines by local authorities	–	412
	<u> </u>	<u> </u>

5. Finance costs – net

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Finance income		
Bank interest income	(1,112)	(887)
	-----	-----
Finance costs		
Interest on bank borrowings	19,750	30,087
Interest on loan from a substantial shareholder	–	62
Finance charges on obligations under finance leases	–	263
	-----	-----
Total borrowing costs	19,750	30,412
Less: borrowing costs capitalised as construction in progress (<i>note</i>)	(39)	(93)
	-----	-----
Other finance charges	3,372	5,584
	-----	-----
	23,083	35,903
	-----	-----
Finance costs – net	<u> </u>	<u> </u>

Note: The borrowing costs have been capitalised at a rate of 4.2% (2012: 4.7%) per annum for construction in progress.

6. Income tax expense

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current income tax		
Provision for the year	10,506	11,987
Under-provision in respect of prior years	1,867	1,816
	<u>12,373</u>	<u>13,803</u>
Deferred income tax		
Origination and reversal of temporary differences	(2,684)	486
	<u>9,689</u>	<u>14,289</u>

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 years ended 31 July 2013 and 2012.

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

Pursuant to the Corporate Income Tax ("CIT") Law 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 subsidiaries granted with preferential tax rates prior to 1 January 2008 whose applicable tax rates would gradually increase to 25% towards the end of 2013, 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.

Below are the preferential tax rates applicable to the Group's PRC subsidiaries which generate taxable income for the years ended 31 July 2013 and 2012.

Name of subsidiary	Period	Income tax rate
V.S. Industry (Zhuhai) Co., Ltd.	1 January 2011 to 31 December 2011	24.0%
	1 January 2012 onwards	25.0%
Qingdao GS Electronics Plastic Co., Ltd.	1 January 2011 to 31 December 2011	24.0%
	1 January 2012 to 31 December 2014	15.0%
	1 January 2015 onwards	25.0%
Qingdao GP Electronic Plastics Co., Ltd.	1 January 2011 to 31 December 2012	12.5%
	1 January 2013 onwards	25.0%

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

7. Dividends

No dividend has been paid or declared by the Company for the years ended 31 July 2013 and 2012.

8. Loss per share

(a) Basic

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$38,197,000 (2012: HK\$73,785,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2013	2012
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u><u>(38,197)</u></u>	<u><u>(73,785)</u></u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u><u>1,256,781</u></u>	<u><u>1,155,972</u></u>
Basic loss per share (<i>Hong Kong cents</i>)	<u><u>(3.04)</u></u>	<u><u>(6.38)</u></u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options and bonus warrants. For the years ended 31 July 2013 and 2012, dilutive earnings per share equal basic earnings per share as the exercise of the outstanding share options and bonus warrants would be anti-dilutive.

9. Trade and other receivables

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables	198,192	241,817
Bills receivable	66,534	73,063
Trade and bills receivables – gross	264,726	314,880
Less: Provision for impairment	(7,843)	(7,771)
Trade and bills receivables – net	256,883	307,109
Other receivables, prepayments and deposits	45,723	53,471
Less: Prepayments (non-current)	(577)	–
Total trade and other receivables, prepayments and deposits (current)	<u><u>302,029</u></u>	<u><u>360,580</u></u>

The ageing analysis of the Group's trade and bills receivables is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Neither past due nor impaired	228,119	269,840
Past due for:		
Less than 1 month	17,617	26,185
1 to 3 months	7,309	9,682
More than 3 months	11,681	9,173
	<u>36,607</u>	<u>45,040</u>
	<u><u>264,726</u></u>	<u><u>314,880</u></u>

10. Trade and other payables

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade payables	220,939	225,680
Bills payable	9,419	15,261
Trade and bills payables	<u>230,358</u>	<u>240,941</u>
Payables for the purchase of property, plant and equipment	9,861	22,551
Accrued expenses and other payables	94,248	106,571
	<u>334,467</u>	<u>370,063</u>
Less: non-current portion of payables for the purchases of machinery and equipment	—	(11,081)
Current portion of trade and other payables	<u><u>334,467</u></u>	<u><u>358,982</u></u>

The ageing analysis of trade and bills payables is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Due within 1 month or on demand	142,568	160,937
Due after 1 month but within 3 months	67,716	59,940
Due after 3 months but within 6 months	20,074	20,064
	<u>230,358</u>	<u>240,941</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS

INDUSTRY OVERVIEW

The global economic downturn and the decline in the demand of customers' end products especially most of our Far East Asia based customers has caused a sluggish business performance of the Group during the year under review.

FINANCIAL REVIEW

Turnover, Gross Profit and Segment Results

During the year under review, the Group recorded a turnover of HK\$1,220.63 million, representing a decrease of HK\$292.47 million or 19.33% from HK\$1,513.10 million in the previous year, primarily due to the decline in the sales orders from certain major customers. Major contributor of the Group's turnover was still its plastic injection and moulding division which accounted for 59.79% (2012: 61.08%) of the Group's turnover, and the remaining from assembling of electronics products and mould design and fabrication divisions which accounted for 35.30% (2012: 32.31%) and 4.91% (2012: 6.61%) of the Group's turnover respectively.

In line with the decrease in turnover, gross profit decreased by HK\$41.48 million and recorded at HK\$107.05 million. Lower gross profit was mainly attributable to change in sales mix during the year.

Plastic Injection and Moulding

The decline in sales orders from certain major customers has directly impacted the business of plastic injection and moulding, which recorded a turnover of HK\$729.81 million, representing a decrease of HK\$194.31 million or 21.03% from HK\$924.12 million in the previous year.

The Group's operation in Zhuhai was still the main contributor and has contributed a turnover of HK\$382.66 million as compared to HK\$553.33 million in the previous year. Meanwhile the Group's operation in Qingdao recorded a turnover of HK\$347.15 million, which was a slight decrease of 6.38% as compared to HK\$370.79 million in the previous year.

Assembling of Electronic Products

During the financial year under review, the Group's assembling of electronics products recorded a turnover of HK\$430.90 million, representing a decrease of HK\$58.03 million or 11.87% from HK\$488.93 million in the previous year. However, the reporting segment results improved from HK\$7.73 million or 1.58% to HK\$20.95 million or 4.86% in the financial year.

Mould Design and Fabrication

During the financial year under review, the mould design and fabrication segment was adversely affected by the economic downturn as customers reduced their product development activities. This segment recorded a turnover of HK\$59.92 million as compared to HK\$100.05 million in previous year, representing a decrease of HK\$40.13 million or 40.11%.

Other Gains/(Losses) – Net

During the financial year under review, the Group incurred other net gain of HK\$21.69 million (2012: other net losses of HK\$26.40 million), which comprised mainly net gain on foreign exchange of HK\$21.89 million.

Distribution Costs

Distribution costs for the period under review amounted to HK\$52.10 million, representing a decrease of HK\$16.29 million or 23.82% as compared to HK\$68.39 million in the previous year. The decrease was in line with the decrease in the turnover of the Group for the year under review.

Administrative Expenses

Administrative expenses for the period under review amounted to HK\$80.97 million, representing a decrease of HK\$3.74 million or 4.42% from HK\$84.71 million in the previous year. The decrease was primarily due to lower headcount and thus reduction in personnel expenses.

Finance Costs

The finance costs for the period under review were reduced by 35.71% to HK\$23.08 million (2012: HK\$35.90 million) mainly due to the lower level of bank borrowings during the year under review.

Share of Loss from Associates

The Group incurred losses of HK\$3.52 million (2012: HK\$0.59 million) in share of losses from associates mainly due to losses incurred by its associate in Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, the Group financed its operations and investing activities mainly by means of internally generated cash flow and banking facilities in Hong Kong and the PRC. As at 31 July 2013, the Group had cash and bank deposits amounted to HK\$103.85 million (2012: HK\$130.07 million), of which HK\$22.51 million (2012: HK\$32.73 million) was pledged to banks for the facilities granted to the Group. The cash and bank deposits were denominated in United States dollars (“USD”) as to 43.51%, Renminbi (“RMB”) as to 55.47%, and Hong Kong dollars (“HKD”) as to 0.78%.

As at 31 July 2013, the Group had outstanding interest-bearing borrowings of HK\$440.05 million (2012: HK\$573.31 million). The total borrowings were denominated in RMB (as to 18.68%), USD (as to 75.87%), and HKD (as to 5.45%), and the maturity profile is as follows:

Repayable	As at 31 July 2013		As at 31 July 2012	
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>
Within one year	213.88	48.60	316.18	55.15
After one year but within two years	31.02	7.05	31.02	5.41
After two years but within five years	195.15	44.35	226.11	39.44
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings	440.05	100.00	573.31	100.00
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and bank deposits	(103.85)		(130.07)	
	<hr/>		<hr/>	
Net borrowings	336.20		443.24	
	<hr/>		<hr/>	

The total net interest bearing borrowings of the Group posted at HK\$336.20 million (2012: HK\$443.24 million) representing 27.86% (2012: 32.46%) of total assets and 80.64% (2012: 110.51%) of total equity respectively.

As at 31 July 2013, the Group's net current liabilities reduced by HK\$33.51 million to HK\$19.99 million (2012: HK\$53.50 million). As at 31 July 2013, the Group had undrawn bank facilities of HK\$285.00 million for working capital purposes. The Board is confident that the Group is able to generate sufficient operational cash flow to support its working capital requirements.

CAPITAL STRUCTURE

As at 31 July 2013, the Group's shareholders' funds stood at HK\$416.90 million (2012: HK\$401.07 million). Total assets of the Group amounted to HK\$1,206.68 million (2012: HK\$1,365.44 million), 52.88% (2012: 51.09%) of which were property, plant, equipment and land use rights.

COMMITMENTS AND CONTINGENT LIABILITY

The Group does not have material capital commitments and contingent liabilities as at 31 July 2013.

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 of the operations to which they relate. The currencies giving rise to the risk were primarily HKD, USD, RMB and Japanese Yen.

During the financial year under review, the Group has made net exchange gains of HK\$21.89 million (2012: net exchange losses of HK\$1.84 million) mainly due to the realised gain on forward foreign exchange contracts of HK\$14.42 million, unrealised foreign exchange gain of HK\$1.64 million and unrealised gain on forward foreign exchange contracts of HK\$5.83 million.

As HKD is pegged to the USD, the Group does not expect any significant currency risk of HKD position. Some of the Group's sales transactions are denominated in USD. In view of the appreciation of RMB against USD during the year ended 31 July 2013, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD.

As at 31 July 2013, the notional amounts of the outstanding forward foreign exchange contracts were USD36.80 million (2012: USD56.40 million). The management will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2013, the Group had a total of 3,755 employees (2012: 4,335). During the year under review, the Group did not make significant changes to the Group's remuneration policies for its employees.

Employees' cost to the Group (excluding the Directors' remuneration and equity settled share-based payment expenses) for the financial year under review amounted to HK\$213.40 million (2012: HK\$273.49 million). The decrease in employees' cost was mainly due to the reduction in the number of employees employed during the year under review. The Group's remuneration package is updated on annual basis and appropriate adjustments are made with reference to the prevailing conditions of the human resources market and the general outlook of the economy. Furthermore, the Group's employees are rewarded in tandem with their performance and experience. The Group has recognised that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality staff dedicated towards supporting 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 the relevant authorities.

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

DIVIDENDS

The Board does not recommend any dividend payment for the financial year ended 31 July 2013 (2012: HK\$ nil).

FUTURE PROSPECTS AND CHALLENGES

The future of electronic manufacturing services remains uncertain and the Group will continue to operate under extremely challenging and competitive environment.

In this respect, the Group will continue to focus on improving its production efficiency and productivity. Besides, the Group will emphasise on increasing its profit margin by providing a full range of integrated services to its customers which include products design services, mould design and fabrication services, processing of printed circuit boards, plastic injection manufacturing and assembly of complete products.

EXTRACT OF THE DRAFT INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements, which describes that the Group incurred a net loss of HK\$38,197,000 during the year ended 31 July 2013 and as at that date, the Group's current liabilities exceeded its current assets by HK\$19,990,000. These conditions, 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.”

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

During the year ended 31 July 2013, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions (“**Code Provisions**”) of the Corporate Governance Code as set out in Appendix 14 to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group’s financial statements for the year ended 31 July 2013 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto has been made.

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 financial year ended 31 July 2013.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and gratitude to the shareholders, bankers, customers, suppliers, business associates and regulatory authorities for their confidence and continuous support to the Group. I also wish to take this opportunity to thank my fellow directors, the management team, staff and employees for their full commitment, loyalty and dedication to the Group, which enabled us to overcome the challenges encountered during the year.

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

Macau, the PRC
24 September 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