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 2014

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 2014, 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 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 JANUARY 2014

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 JANUARY 2014

	Note	**Unaudited At 31 January 2014** ***HK$'000***	Audited At 31 July 2013 *HK$'000*
Current liabilities			
Trade and other payables	*9*	**377,169**	338,917
Borrowings		**265,603**	213,879
Tax payable		**7,972**	8,424
		650,744	561,220
Total liabilities		**864,270**	789,783
Total equity and liabilities		**1,286,479**	1,206,679
Net current liabilities		**(12,439)**	(19,990)
Total assets less current liabilities		**635,735**	645,459

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 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 July 2013, which was prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31 July 2013.

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

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

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

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

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

The accounting policies used in the preparation of the consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 July 2013, except as mentioned below.

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

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

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

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

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

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

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

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

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

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 interest in an associate and other corporate assets. Segment liabilities include trade creditors, accruals and bills payables attributable to the individual segments.

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

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

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

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

	Plastic injection and moulding		**Assembling of electronic products**		**Mould design and fabrication**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Six months ended 31 January:								
Revenue from external customers	**414,933**	400,814	**207,320**	245,904	**31,779**	36,513	**654,032**	683,231
Reportable segment revenue	**414,933**	400,814	**207,320**	245,904	**31,779**	36,513	**654,032**	683,231
Reportable segment result	**26,939**	16,535	**9,376**	13,849	**2,831**	2,372	**39,146**	32,756
At 31 January/31 July:								
Reportable segment assets	**800,436**	757,230	**205,959**	163,856	**107,104**	105,931	**1,113,499**	1,027,017
Addition to non-current segment assets during the period	**9,961**	2,792	**692**	1,578	**16**	16	**10,669**	4,386
Reportable segment liabilities	**190,436**	189,794	**113,924**	77,076	**11,727**	17,819	**316,087**	284,689

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

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

	Unaudited Six months ended 31 January	
	2014	2013
	HK$'000	*HK$'000*
Segment results		
Reportable segment profit	**39,146**	32,756
Share of loss of an associate	**(240)**	(1,738)
Finance costs –net *(Note 4(a))*	**(10,066)**	(12,314)
Unallocated depreciation and amortisation	**(2,820)**	(3,433)
Unallocated operating income and expenses	**(27,143)**	(8,930)
(Loss)/profit before income tax	**(1,123)**	6,341

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

(c) Revenue by geographical location

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

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

3 Other gains – net

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

4 (Loss)/profit before income tax

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

(a) Finance costs – net

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

(b) Other items

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

5 Income tax expense

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

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the six months ended 31 January 2014 and 2013.

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

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

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

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

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

6 Dividends

(i) Dividends payable to equity holders 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 2014 and 2013.

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

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

7 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

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

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

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 31 January 2014, dilutive earnings per share equal basic earnings per share as the exercise of outstanding share options and bonus warrants would be anti-dilutive.

For the period ended 31 January 2013, the Company had share options and bonus warrants that had dilutive potential ordinary shares. Accordingly, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and bonus warrants. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise in full of the share options and bonus warrants.

	Unaudited Six months ended 31 January 2014	2013
(Loss)/profit attributable to equity holders (HK$'000)	**(5,273)**	2,764
Weighted average number of ordinary shares in issue ('000)	**1,342,680**	1,212,005
Adjustment for the share options ('000)	**–**	3,035
Adjustment for the bonus warrants ('000)	**–**	50,507
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share('000)	**1,342,680**	1,265,547
Diluted (loss)/earnings per share (HK cents)	**(0.39)**	0.22

8 Trade and other receivables

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

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

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

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

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

9 Trade and other payables

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

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

FINANCIAL REVIEW

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

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

Plastic injection and moulding business

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

Assembling of electronic products business

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

Mould design and fabrication business

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

Distribution costs

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

Administrative expenses

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

Other gains – net

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

Finance costs – net

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

Share of loss of an associate

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

Future prospects

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CHARGES ON ASSETS

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

FOREIGN EXCHANGE EXPOSURE

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

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

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

As at 31 January 2014, the notional amounts of the outstanding forward foreign exchange contracts were USD30.60 million (31 July 2013: USD36.80 million). The management will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

During the six months period under review, the Company had not redeemed and the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2014 and is of the opinion that such statements comply with the applicable accounting standards, the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period under review with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2014.

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

Johor Bahru, Malaysia
21 March 2014

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