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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 INTERIM RESULTS FOR
THE SIX MONTHS ENDED 31 JANUARY 2016**

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 2016, which have been reviewed by the audit committee (“**Audit Committee**”) of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 JANUARY 2016

		Unaudited	
		Six months ended 31 January	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	573,054	617,890
Cost of sales		(477,164)	(526,046)
Gross profit		95,890	91,844
Other income – net		3,466	2,245
Other losses – net	3	(56)	(2,295)
Distribution costs		(35,881)	(33,325)
General and administrative expenses		(45,353)	(48,225)
Operating profit		18,066	10,244
Finance costs – net	4(a)	(7,552)	(10,153)
Share of loss of an associate		(769)	(766)
Profit/(loss) before income tax	4	9,745	(675)
Income tax expense	5	(8,675)	(6,915)
Profit/(loss) for the period attributable to equity holders of the Company		1,070	(7,590)
Earnings/(loss) per share attributable to equity holders of the Company during the period (Hong Kong cents)	7		
Basic		0.06	(0.48)
Diluted		0.06	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 JANUARY 2016

		Unaudited	Audited
		At 31 January	At 31 July
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		561,196	527,885
Land use rights		22,284	23,811
Interest in an associate		15,900	16,669
Prepayments and deposits	8	11,211	91,662
Deferred income tax assets		3,938	4,352
		<u>614,529</u>	<u>664,379</u>
Current assets			
Inventories		115,572	128,048
Trade and other receivables	8	305,763	264,472
Amounts due from related parties		26,194	25,201
Bank deposits		15,466	22,245
Cash and cash equivalents		97,911	74,967
		<u>560,906</u>	<u>514,933</u>
Total assets		<u><u>1,175,435</u></u>	<u><u>1,179,312</u></u>
EQUITY			
Capital and reserves			
Share capital		91,243	91,087
Share premium		266,141	264,971
Reserves		147,603	179,085
		<u>504,987</u>	<u>535,143</u>
Total equity attributable to equity holders of the Company		<u>504,987</u>	<u>535,143</u>
LIABILITIES			
Non-current liabilities			
Borrowings		123,437	146,218
Deferred income tax liabilities		444	650
		<u>123,881</u>	<u>146,868</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*AT 31 JANUARY 2016*

		Unaudited	Audited
		At 31 January	At 31 July
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	9	327,031	300,158
Amounts due to related parties		2,417	1,139
Derivative financial instruments		–	9
Borrowings		205,394	185,145
Tax payable		11,725	10,850
		<hr/>	<hr/>
		546,567	497,301
		<hr/>	<hr/>
Total liabilities		670,448	644,169
		<hr/>	<hr/>
Total equity and liabilities		1,175,435	1,179,312
		<hr/> <hr/>	<hr/> <hr/>

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 2016 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 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31 July 2015.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 July 2015, except as mentioned below.

(a) 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 August 2015. The adoption of these amendments to existing standards does not have any significant impact on the results and financial position of the Group.

- Amendments to HKAS 19 (2011), “Employee Benefits – Defined Benefit Plans: Employee Contributions”;
- Annual Improvements to HKFRSs 2010 – 2012 Cycle; and
- Annual Improvements to HKFRSs 2011 – 2013 Cycle.

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

- HKFRS 9, “Financial Instruments”²;
- HKFRS 14, “Regulatory Deferral Accounts”¹;
- HKFRS 15, “Revenue from Contracts with Customers”²;
- Amendments to HKFRS 10, “Consolidated Financial Statements” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³;
- Amendments to HKFRS 10, “Consolidated Financial Statements”, HKFRS 12, “Disclosure of Interests in Other Entities” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Investment Entities: Applying the Consolidation Exception¹;
- Amendments to HKFRS 11, “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”¹;
- Amendments to HKAS 1, “Presentation of Financial Statements – Disclosure initiative”¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” on Clarification of Acceptable Methods of Depreciation and Amortisation¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 41, “Agriculture” on Agriculture: Bearer Plants¹;
- Amendments to HKAS 27 (2011), “Separate Financial Statements – Equity Method in Separate Financial Statements”¹; and
- Annual Improvements to HKFRSs 2012 – 2014 Cycle¹.

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

² Effective for the Group for annual periods beginning on 1 August 2018

³ The Group intends to adopt the amendments to existing standards when the effective date is determined.

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

2 Segment reporting

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

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

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

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

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

(a) *Segment results, assets and liabilities*

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

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

Information regarding the Group’s reportable segments as provided to the Group’s 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Six months ended 31 January:								
Revenue from external customers	<u>332,525</u>	<u>386,536</u>	<u>196,974</u>	<u>188,971</u>	<u>43,555</u>	<u>42,383</u>	<u>573,054</u>	<u>617,890</u>
Reportable segment result	<u>30,839</u>	<u>25,442</u>	<u>16,135</u>	<u>16,336</u>	<u>8,713</u>	<u>9,258</u>	<u>55,687</u>	<u>51,036</u>
Additions to non-current segment assets during the period	<u>90,375</u>	<u>10,129</u>	<u>6,687</u>	<u>15,172</u>	<u>225</u>	<u>276</u>	<u>97,287</u>	<u>25,577</u>
At 31 January/31 July:								
Reportable segment assets	<u>647,435</u>	<u>611,778</u>	<u>141,376</u>	<u>182,737</u>	<u>74,098</u>	<u>83,670</u>	<u>862,909</u>	<u>878,185</u>
Reportable segment liabilities	<u>205,184</u>	<u>150,704</u>	<u>92,369</u>	<u>90,781</u>	<u>5,920</u>	<u>6,164</u>	<u>303,473</u>	<u>247,649</u>

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

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Turnover		
Reportable segment revenue	573,054	617,890
Consolidated turnover	573,054	617,890
	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Segment result		
Reportable segment profit	55,687	51,036
Share of loss of an associate	(769)	(766)
Finance costs – net (Note4(a))	(7,552)	(10,153)
Unallocated depreciation and amortisation	(4,224)	(2,248)
Unallocated operating income and expenses	(33,397)	(38,544)
Profit/(loss) before income tax	9,745	(675)
	At	At
	31 January 2016	31 July 2015
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	862,908	878,185
Interest in an associate	15,900	16,669
Deferred income tax assets	3,938	4,352
Unallocated head office and corporate assets	292,689	280,106
Consolidated total assets	1,175,435	1,179,312
Liabilities		
Reportable segment liabilities	303,473	247,649
Deferred income tax liabilities	444	650
Unallocated head office and corporate liabilities	366,531	395,870
Consolidated total liabilities	670,448	644,169

(c) Revenue by geographical locations

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

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Mainland China	335,654	345,154
United States of America	116,309	145,722
Europe	89,528	71,987
Hong Kong	20,549	23,462
South East Asia	10,440	19,269
Others	574	12,296
	<u>573,054</u>	<u>617,890</u>

3 Other losses – net

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Net foreign exchange gain/(loss)	58	(260)
Net gain/(loss) on disposal of property, plant and equipment	432	(2,464)
Change in fair value of forward foreign exchange contracts	–	(477)
Net (loss)/gain on forward foreign exchange contracts	(546)	906
	<u>(56)</u>	<u>(2,295)</u>

4 Profit/(loss) before income tax

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

(a) Finance costs – net

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Interest income from bank deposits	(257)	(595)
Interest on bank borrowings repayable within five years	6,346	8,852
Less: borrowing costs capitalised as construction-in-progress	(17)	(5)
Other finance charges	1,480	1,901
	<u>7,809</u>	<u>10,748</u>
Finance costs – net	<u>7,552</u>	<u>10,153</u>

(b) *Other items*

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Cost of inventories	477,164	526,046
Amortisation of land use rights	306	319
Depreciation of property, plant and equipment	29,727	29,515
Operating lease charges in respect of properties		
– factory and hostel rentals	5,225	5,356
Provision for impairment on trade receivables	161	668

5 Income tax expense

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
The People's Republic of China ("PRC") corporate income tax	8,113	7,026
Deferred income tax		
Origination and reversal of temporary differences	562	(111)
	8,675	6,915

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 2016 and 2015.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%.

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

The Group is not subject to any income tax in the Cayman Islands or 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 2016 and 2015.

(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 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the earnings attributable to equity holders of the Company of HK\$1,070,000 (2015: loss of HK\$7,590,000) and the weighted average number of ordinary shares in issue during the current and the prior period as follows:

	Unaudited	
	Six months ended 31 January	
	2016	2015
Earnings/(loss) attributable to equity holders (HK\$ '000)	<u>1,070</u>	<u>(7,590)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,689,698</u>	<u>1,566,289</u>
Basic earnings/(loss) per share (HK cents)	<u>0.06</u>	<u>(0.48)</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) 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.

	Unaudited
	Six months ended
	31 January 2016
Earnings attributable to equity holders (HK\$ '000)	<u>1,070</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,689,698</u>
Adjustments for share options ('000)	<u>22,915</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,712,613</u>
Diluted earnings per share (HK cents)	<u>0.06</u>

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

8 Trade and other receivables

	At 31 January 2016 <i>HK\$'000</i>	At 31 July 2015 <i>HK\$'000</i>
Trade receivables	197,491	210,093
Bills receivable	55,806	55,635
Trade and bills receivables – gross	253,297	265,728
Less: Provision for impairment	(11,355)	(12,238)
Trade and bills receivables – net	241,942	253,490
Other receivables, prepayments and deposits (<i>Note</i>)	75,032	102,644
	316,974	356,134
Less: Prepayments and deposits (non-current)	(11,211)	(91,662)
Total trade and other receivables (current)	<u>305,763</u>	<u>264,472</u>

Note:

Included in “other receivables, prepayments and deposits” was a prepayment of HK\$42,500,000 in relation to a conditional acquisition agreement (as supplemented) (“Agreement”) entered into with a third party vendor (“Vendor”) on 5 February 2015 to acquire from the Vendor 20% equity interest of a company involved in a solar energy project in Inner Mongolia for a consideration of RMB44,000,000 (approximately HK\$55,000,000) subject to fulfilment of certain conditions set out therein. In addition, under the Agreement, upon completion of the acquisition of the 20% equity interest, the Group would be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the target company at its sole discretion. On 31 October 2015, the Agreement lapsed as certain conditions as set out in the Agreement had not been fulfilled. The Group has been in discussions with the Vendor regarding the full refund of prepayment of HK\$42,500,000 and the Vendor has proposed that the refund of prepayment and interest thereon at 5% per annum will be made on or before 31 August 2016.

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

	At 31 January 2016 <i>HK\$'000</i>	At 31 July 2015 <i>HK\$'000</i>
Neither past due nor impaired	228,335	242,621
Past due for:		
Less than 1 month	6,594	7,460
1 to 3 months	3,840	1,236
More than 3 months	14,528	14,411
	24,962	23,107
	253,297	265,728

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

The Group does not hold any collaterals as security.

9 Trade and other payables

	At 31 January 2016 <i>HK\$'000</i>	At 31 July 2015 <i>HK\$'000</i>
Trade payables	191,304	196,430
Bills payable	7,335	9,262
Trade and bills payables	198,639	205,692
Payables for the purchase of property, plant and equipment	27,840	3,256
Accrued expenses and other payables	100,552	91,210
Trade and other payables	327,031	300,158

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

	At 31 January 2016 <i>HK\$'000</i>	At 31 July 2015 <i>HK\$'000</i>
Due within 1 month or on demand	112,160	125,977
Due after 1 month but within 3 months	68,145	58,615
Due after 3 months but within 6 months	18,334	21,100
	<hr/>	<hr/>
	198,639	205,692
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

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

FINANCIAL REVIEW

The Group recorded a turnover of HK\$573.05 million, representing a decrease of HK\$44.84 million or 7.26% as compared to HK\$617.89 million in the corresponding period ended 31 January 2015. Gross profit during the six months ended 31 January 2016 increased from HK\$91.84 million to HK\$95.89 million for the six months ended 31 January 2016. The gross profit margin improved from 14.86% to 16.73%.

The Group's operating expenses, composed of distribution and general administrative expenses, decreased marginally from HK\$81.55 million to HK\$81.23 million, a decrease of HK\$0.32 million over the corresponding period. The Group recorded a profit of HK\$1.07 million as compared to a loss of HK\$7.59 million in the corresponding period ended 31 January 2015.

Plastic injection and moulding business

The plastic injection and moulding segment remained the Group's core business and contributed to 58.03% of the Group's turnover. The Group recorded a turnover of HK\$332.53 million for this segment as compared to HK\$386.54 million in the corresponding period ended 31 January 2015, representing a decrease of HK\$54.01 million or 13.97%.

Assembling of electronic products business

This segment recorded a turnover of HK\$196.97 million, representing an increase of HK\$8.00 million or 4.23% from HK\$188.97 million in the corresponding period ended 31 January 2015.

Mould design and fabrication business

The mould design and fabrication segment recorded a turnover of HK\$43.55 million, representing a slight increase of HK\$1.17 million or 2.76% as compared to HK\$42.38 million in the corresponding period ended 31 January 2015.

Distribution costs

Distribution cost amounted to HK\$35.88 million, representing an increase of HK\$2.55 million or 7.65% as compared to HK\$33.33 million in the corresponding period ended 31 January 2015. The increase in distribution costs was mainly due to additional sales commission expenses of HK\$2.99 million of certain products.

General and administrative expenses

General and administrative expenses amounted to HK\$45.35 million during the period, representing a decrease of HK\$2.88 million or 5.97% as compared to HK\$48.23 million in the corresponding period ended 31 January 2015. The decrease was primarily due to lower human resources expenses arising from reduction in the number of employees during the period.

Other losses – net

During the period, the Group recorded other net losses of HK\$0.06 million as compared to net losses of HK\$2.30 million, composed mainly of losses incurred on disposal of property, plant and equipment, in the corresponding period ended 31 January 2015.

Finance costs – net

The net finance costs for the period decreased by 25.62% or HK\$2.60 million from HK\$10.15 million in the corresponding period ended 31 January 2015 to HK\$7.55 million mainly due to lower interest-bearing borrowings during the period.

Share of loss of an associate

The Group's share of loss of an associate of HK\$0.77 million (2015: HK\$0.77 million) was solely attributed to loss incurred by its associate in Vietnam.

Future prospects

The Group will continue to focus on improving its production efficiency and productivity as well as realigning its product lines to improve its profitability. In addition, the Group will continue to develop and increase its own original design manufacturer products and customer base which are expected to contribute positively to the performance of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group financed its operations and investing activities mainly by internally generated operating cash flow and bank borrowings. As at 31 January 2016, the Group had cash and bank deposits of HK\$113.38 million (31 July 2015: HK\$97.21 million), of which HK\$15.47 million (31 July 2015: HK\$22.25 million) was pledged to the banks for the facilities granted to the Group. 30.69%, 67.66% and 1.32% of cash and bank deposits are denominated in United States dollars (“USD”), Renminbi (“RMB”) and Hong Kong dollars (“HK\$”), respectively.

As at 31 January 2016, the Group had outstanding interest-bearing bank borrowings of HK\$328.83 million (31 July 2015: HK\$331.36 million). The total borrowings were denominated in USD (79.32%), RMB (17.70%) and HK\$ (2.98%), and the maturity profile is as follows:

Repayable	As at 31 January 2016		As at 31 July 2015	
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>
Within one year	205.39	62.46	185.14	55.87
After one year but within two years	46.69	14.20	46.51	14.04
After two years but within five years	76.75	23.34	99.71	30.09
Total borrowings	328.83	100.00	331.36	100.00
Cash and bank deposits	(113.38)		(97.21)	
Net borrowings	215.45		234.15	

As at 31 January 2016, the Group’s net current assets were HK\$14.34 million (31 July 2015: HK\$17.63 million). As at 31 January 2016, the Group has undrawn bank facilities of HK\$129.73 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

Gearing ratio is calculated based on total borrowings at the end of the period divided by total assets at the end of the period multiplied by 100%. Accordingly, the gearing ratio of the Group as at 31 January 2016 was 27.98% (31 July 2015: 28.10%).

CHARGES ON ASSETS

As at 31 January 2016, certain assets of the Group with an aggregate carrying value of HK\$297.27 million (31 July 2015: HK\$327.82 million) were pledged to secure loan and trade financing facilities for the Group.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risks 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 such risks are primarily HK\$ and USD.

During the period, the Group incurred net foreign exchange losses of HK\$0.49 million (2015: net foreign exchange gains of HK\$0.17 million) mainly due to the realised loss on forward foreign exchange contracts of HK\$0.55 million and unrealised and realised foreign exchange gain of HK\$0.06 million.

Most of the Group's sales transactions are denominated in USD and certain payments of the Group were made in RMB and HK\$. In view of fluctuation of the RMB against the USD during the period, the Group was exposed to foreign currency risks in respect of certain trade receivables denominated in USD.

As at 31 January 2016, the notional amounts of the outstanding forward foreign exchange contracts were nil (31 July 2015: USD2.00 million). However, 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 2016, the Group had a total of 2,737 employees (31 July 2015: 2,962). During the period, the Group did not make significant change to the Group's remuneration policies. Human resources expenses of the Group (excluding Directors' remuneration and equity settled share-based payment expenses) for the period amounted to HK\$102.06 million (2015: HK\$105.67 million). The decrease in human resources expenses was mainly due to the reduction in the number of employees during the period. 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 (Chapter 485 of the Laws of Hong Kong). 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 Group's success.

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2016 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 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 ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months except for the deviations from Code Provision A.2.1 in respect of segregation of the roles of chairman and chief executive officer.

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

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2016.

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

Macau, the PRC
22 March 2016

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
Mr. Beh Chern Wei

Independent non-executive Directors:

Mr. Diong Tai Pew
Mr. Tang Sim Cheow
Ms. Fu Xiao Nan

Non-executive Director:

Mr. Gan Tiong Sia