



INTERIM REPORT
2016/17

V S **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)



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Beh Kim Ling (*Chairman*)
Gan Sem Yam (*Managing Director*)
Gan Chu Cheng (*Finance Director*)
Zhang Pei Yu
Beh Chern Wei

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Tang Sim Cheow
Fu Xiao Nan

AUDIT COMMITTEE OF THE BOARD

Diong Tai Pew (*Chairman of the Audit Committee*)
Tang Sim Cheow
Fu Xiao Nan

REMUNERATION COMMITTEE OF THE BOARD

Fu Xiao Nan
(*Chairman of the Remuneration Committee*)
Diong Tai Pew
Beh Kim Ling

NOMINATION COMMITTEE OF THE BOARD

Tang Sim Cheow
(*Chairman of the Nomination Committee*)
Diong Tai Pew
Gan Chu Cheng

COMPANY SECRETARY

Ng Ting On, Polly

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong



Corporate Information

PRINCIPAL BANKERS

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

SUBSIDIARIES

V.S. International Industry Limited

V.S. Holding Vietnam Limited

Energy Ally Global Limited

Vistra Corporate Services Centre
Wickhams Cay II, Road Town, Tortola
VG1110, British Virgin Islands

V.S. Investment Holdings Limited

Belmont Chambers, P.O. Box 3443
Road Town, Tortola
British Virgin Islands

V.S. Corporation (Hong Kong) Co., Limited

VSA Holding Hong Kong Co., Limited

V.S. Industry Holding Limited

RM 4018, 40/F, Jardine House
1 Connaught Place
Central, Hong Kong
Tel. No: (852) 2511 9002
Fax No: (86) 756 3385 681

V.S. Technology Industry Park (Zhuhai) Co., Ltd.

V.S. Industry (Zhuhai) Co., Ltd.

VSA Electronics Technology (Zhuhai) Co., Ltd.

V.S. ECO-TECH (Zhuhai) Co., Ltd.

V.S. Industrial Product Design (Zhuhai) Co., Ltd.

Zhuhai Deyuan Energy Conservation Technology Company Limited

Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
Guangdong Province
The People's Republic of China
Tel. No: (86) 756 6295 888
Fax No: (86) 756 3385 691/681

Qingdao GS Electronics Plastic Co., Ltd.

Haivs Industry (Qingdao) Co., Ltd.

Qianwangang Road South
Haier International Industrial Park
Qingdao Economic and Technology Development Zone
Huangdao District
266510 Qingdao
Shandong Province
The People's Republic of China
Tel. No: (86) 532 8676 2188
Fax No: (86) 532 8676 2233

Qingdao GP Electronic Plastics Co., Ltd.

Qingdao GP Precision Mold Co., Ltd.

Hetao Export Processing Zone
Chengyang District
266113 Qingdao
Shangdong Province
The People's Republic of China
Tel. No: (86) 532 8792 3666
Fax No: (86) 532 8792 3660

ASSOCIATED COMPANY

VS Industry Vietnam Joint Stock Company

Quevo Industrial Park, Vanduong Commune
Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 241 3634 300
Fax No: (84) 241 3634 308



Introduction

The board (“Board”) of directors (“Directors”) of V.S. International Group Limited (“Company”) submits herewith the interim financial report of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 January 2017, which has been reviewed by the audit committee (“Audit Committee”) of the Board.

Condensed Consolidated Income Statement

For the six months ended 31 January 2017

		Unaudited	
		Six months ended 31 January	
		2017	2016
	Note	RMB'000	RMB'000 (Restated)
Revenue	4	667,012	474,266
Cost of sales		(551,346)	(394,909)
Gross profit		115,666	79,357
Other income – net		2,822	2,869
Other losses – net	5	(4,454)	(46)
Distribution costs		(36,122)	(29,692)
General and administrative expenses		(46,556)	(37,493)
Operating profit		31,356	14,995
Finance costs – net	6(a)	(6,363)	(6,213)
Share of loss of an associate		(1,955)	(636)
Profit before income tax	6	23,038	8,146
Income tax expense	7(a)	(7,520)	(7,025)
Profit for the period attributable to owners of the Company		15,518	1,121
Earnings per share attributable to owners of the Company during the period (Renminbi cents)			
Basic	8(a)	0.85	0.07
Diluted	8(b)	0.84	0.07

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2017

Unaudited
Six months ended 31 January
2017 2016
RMB'000 RMB'000
 (Restated)

Profit for the period

15,518

1,121

Other comprehensive income for the period

-

-

Total comprehensive income for the period attributable to owners of the Company

15,518

1,121

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 January 2017

		Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	476,992	455,100
Land use rights	10	18,323	18,576
Interest in an associate		25,166	15,884
Prepayments and deposits	12	17,464	9,772
Deferred income tax assets	7(b)	905	2,221
		538,850	501,553
Current assets			
Inventories	11	162,248	94,869
Trade and other receivables	12	328,673	223,479
Amounts due from related parties	20(b)	7,006	16,380
Bank deposits	13	119,393	12,986
Cash and cash equivalents	14	36,476	45,586
		653,796	393,300
Total assets		1,192,646	894,853
EQUITY			
Capital and reserves			
Share capital	18	85,146	84,996
Share premium		235,319	234,180
Reserves		98,949	80,716
Total equity attributable to owners of the Company		419,414	399,892
LIABILITIES			
Non-current liabilities			
Borrowings	16	67,862	85,399
Deferred income tax liabilities	7(b)	531	567
		68,393	85,966

Condensed Consolidated Statement of Financial Position

At 31 January 2017

		Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Current liabilities			
Trade and other payables	15	432,803	234,693
Amounts due to related parties	20(c)	2,345	703
Borrowings	16	260,882	164,785
Tax payable		8,809	8,814
		704,839	408,995
Total liabilities		773,232	494,961
Total equity and liabilities		1,192,646	894,853

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2017

	Unaudited						
	Attributable to owners of the Company						
	Share capital RMB'000 (Restated)	Share premium RMB'000 (Restated)	Capital reserves RMB'000 (Restated)	Statutory reserve fund RMB'000 (Restated)	Employee share-based capital reserve RMB'000 (Restated)	Retained earnings/ (accumulated Losses) RMB'000 (Restated)	Total RMB'000 (Restated)
At 1 August 2015	84,549	230,841	11,752	61,333	6,589	33,036	428,100
Comprehensive income							
Profit for the period	-	-	-	-	-	1,121	1,121
Total comprehensive income for the period	-	-	-	-	-	1,121	1,121
Issuance of shares upon exercising of share options	126	957	-	-	(309)	-	774
Appropriation	-	-	-	2,593	-	(2,593)	-
Fair value of employee services under the share options scheme	-	-	-	-	771	-	771
At 31 January 2016	84,675	231,798	11,752	63,926	7,051	31,564	430,766
At 1 August 2016	84,996	234,180	11,752	64,799	7,098	(2,933)	399,892
Comprehensive income							
Profit for the period	-	-	-	-	-	15,518	15,518
Total comprehensive income for the period	-	-	-	-	-	15,518	15,518
Issuance of shares upon exercising of share options	150	1,139	-	-	(367)	-	922
Share options granted to employees lapsed	-	-	-	-	(211)	211	-
Appropriation	-	-	-	2,288	-	(2,288)	-
Fair value of employee services under the share options scheme	-	-	-	-	3,082	-	3,082
At 31 January 2017	85,146	235,319	11,752	67,087	9,602	10,508	419,414

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2017

	Note	Unaudited	
		Six months ended 31 January 2017	2016
		RMB'000	RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations		86,663	78,837
Income tax paid		(6,245)	(6,282)
Net cash generated from operating activities		80,418	72,555
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(63,486)	(67,707)
Proceeds from disposal of property, plant and equipment		7,246	6,066
Increase in bank deposits		(9,020)	–
Interest received		253	212
Net cash used in investing activities		(65,007)	(61,429)
Cash flows from financing activities			
Repayment of bank loans		(76,735)	(94,105)
Proceeds from new bank loans		151,435	101,977
Proceeds from shares issued under the share option scheme		922	774
(Increase)/decrease in bank deposits		(97,387)	4,749
Borrowing costs paid		(6,616)	(6,425)
Net cash (used in)/generated from financing activities		(28,381)	6,970
Net (decrease)/increase in cash and cash equivalents		(12,970)	18,096
Cash and cash equivalents at 1 August		28,062	46,615
Cash and cash equivalents at 31 January	14	15,092	64,711

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

V.S. International Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacturing and sale of plastic moulded products and parts, assembling of electronic products, and mould design and fabrication. The Company was incorporated in the Cayman Islands on 9 July 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

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

This condensed consolidated interim financial information for the six months ended 31 January 2017 is unaudited and has been reviewed by the audit committee of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 21 March 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31 July. This condensed consolidated interim financial information for the six months ended 31 January 2017 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 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

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 2016.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Change in presentation currency

The Group has changed its presentation currency from Hong Kong dollars (“HK\$”) to RMB for the preparation of its consolidated financial statements for the year ended 31 July 2016.

Having considered the principal activities of the Group are mainly conducted in the People’s Republic of China (“PRC”) and the functional currency of all Company’s subsidiaries are denominated in RMB, the directors of the Company considered that the change would result in a more appropriate presentation of the Group’s transactions in the financial statements.

The change in presentation currency has been applied retrospectively. Thus, the comparative figures in these condensed consolidated interim financial information were translated from HK\$ to RMB using applicable average rates that approximated to actual rates for items in the condensed consolidated income statement and condensed consolidated statement of comprehensive income and applicable closing rates for items in the condensed consolidated statement of financial position.

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 2016, except as mentioned below.

(a) Effect of adopting new standard and amendments to existing standards

The following new standard and amendments to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 August 2016. The adoption of new standard and amendments to existing standards does not have any significant impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities-Applying the Consolidation Exception
HKFRS 11 (Amendment)	Joint Arrangements-Accounting for Acquisitions of Interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012-2014 cycle

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standards and amendments to existing standards that have been issued and are effective for period commencing on or after 1 August 2017 and have not been early adopted by the Group

HKAS 7 (Amendment)	Disclosure Initiative ⁽¹⁾
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses ⁽¹⁾
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions ⁽²⁾
HKFRS 9	Financial Instruments ⁽²⁾
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture ⁽⁴⁾
HKFRS 15	Revenue from Contracts with Customers ⁽²⁾
HKFRS 15 (Amendment)	Clarification to HKFRS 15 ⁽²⁾
HKFRS 16	Leases ⁽³⁾

⁽¹⁾ Effective for the Group for annual period beginning on or after 1 August 2017.

⁽²⁾ Effective for the Group for annual period beginning on or after 1 August 2018.

⁽³⁾ Effective for the Group for annual period beginning on or after 1 August 2019.

⁽⁴⁾ Effective date to be 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 July 2016.

There have been no changes in the risk management policies since 31 July 2016.

Notes to the Condensed Consolidated Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

3.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

As at 31 January 2017 and 31 July 2016, the Group does not have financial assets or financial liabilities that are measured at fair value.

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING

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

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

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

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

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

(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.

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		(Restated)		(Restated)
Six months ended 31 January:								
Revenue from external customers	287,963	275,228	343,796	162,996	35,253	36,042	667,012	474,266
Reportable segment result	33,458	25,519	29,640	13,352	8,036	7,210	71,134	46,081
Additions to non-current segment assets during the period	16,816	74,785	9,543	5,533	2,161	186	28,520	80,504
At 31 January/31 July:								
Reportable segment assets	562,412	529,952	237,687	116,560	78,763	66,451	878,862	712,963
Reportable segment liabilities	176,797	162,416	204,013	51,808	6,833	7,716	387,643	221,940

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000 (Restated)
Revenue		
Reportable segment revenue	667,012	474,266
Consolidated revenue	667,012	474,266

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000 (Restated)
Segment result		
Reportable segment profit	71,134	46,081
Share of loss of an associate	(1,955)	(636)
Finance costs – net (Note 6(a))	(6,363)	(6,213)
Unallocated depreciation and amortisation	(3,353)	(3,496)
Unallocated operating income and expenses	(36,425)	(27,590)
Profit before income tax	23,038	8,146

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Assets		
Reportable segment assets	878,862	712,963
Interest in an associate	25,166	15,884
Deferred income tax assets	905	2,221
Unallocated head office and corporate assets	287,713	163,785
Consolidated total assets	1,192,646	894,853
Liabilities		
Reportable segment liabilities	387,643	221,940
Deferred income tax liabilities	531	567
Unallocated head office and corporate liabilities	385,058	272,454
Consolidated total liabilities	773,232	494,961

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

(c) Revenue by geographical locations

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

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Mainland China	474,009	277,753
United States of America	92,554	96,246
Europe	86,793	74,084
Hong Kong	10,596	17,005
South East Asia	2,432	8,703
Others	628	475
	667,012	474,266

An analysis of the Group's carrying amount of segment non-current assets has not been presented as all of the non-current assets are located in the PRC.

The Group's customer base is diversified but includes four (2016: four) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the six months ended 31 January 2017.

Those customers individually contributed 36%, 14%, 12% and 10% of the Group's revenue (2016: 14%, 21%, 14% and 12%), respectively.

Notes to the Condensed Consolidated Interim Financial Information

5 OTHER LOSSES – NET

Net foreign exchange (loss)/gain
Net (loss)/gain on disposal of property, plant and equipment
Net loss on forward foreign exchange contracts

Unaudited	
Six months ended 31 January	
2017	2016
RMB'000	RMB'000
	(Restated)
(3,826)	49
(628)	357
–	(452)
(4,454)	(46)

6 PROFIT BEFORE INCOME TAX

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

(a) Finance costs – net

Interest income from bank deposits
Interest on bank borrowings repayable within five years
Less: borrowing costs capitalised as construction-in-progress
Other finance charges
Finance costs – net

Unaudited	
Six months ended 31 January	
2017	2016
RMB'000	RMB'000
	(Restated)
(253)	(212)
5,813	5,214
(215)	(14)
1,018	1,225
6,616	6,425
6,363	6,213

Notes to the Condensed Consolidated Interim Financial Information

6 PROFIT BEFORE INCOME TAX (CONTINUED)

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000 (Restated)
Cost of sales	551,346	394,909
Amortisation of land use rights	253	253
Depreciation of property, plant and equipment	26,808	24,766
Operating lease charges in respect of properties – factory and hostel rentals	4,317	4,323
Provision for impairment of trade receivables	588	133

7 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000 (Restated)
Current income tax		
PRC corporate income tax	5,983	6,721
Deferred income tax		
Origination and reversal of temporary differences	1,537	304
	7,520	7,025

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 2017 and 2016.

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for two subsidiaries, which are fully exempt from corporate income tax for the first three years after obtaining the concession, follow by a 50% tax exemption for the next three years and had been granted with a preferential rate of 15% from 1 January 2015 to 31 December 2017 whose applicable tax rates will resume as 25% afterwards, respectively.

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.

(b) Deferred income tax assets/(liabilities)

Deferred income tax is recognised on temporary differences under the liability method using the prevailing taxation rate of the regions where the temporary differences are related to.

The movement in the deferred income tax account is as follows:

Deferred income tax liabilities – unremitted retained profits of PRC subsidiaries

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000
		(Restated)
At beginning of the period	(567)	(521)
Payment of withholding tax	257	292
Charged to the income statement	(221)	(146)
At end of the period	(531)	(375)

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE (CONTINUED)

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

The movement in the deferred income tax account is as follows: (Continued)

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000
		(Restated)
At beginning of the period	2,221	3,486
Charged to the income statement	(1,316)	(158)
At end of the period	905	3,328

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to owners of the Company of RMB15,518,000 (2016: RMB1,121,000) 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	
	2017	2016
		(Restated)
Earnings attributable to owners of the Company (RMB'000)	15,518	1,121
Weighted average number of ordinary shares in issue ('000)	1,834,746	1,689,698
Basic earnings per share (RMB cents)	0.85	0.07

Notes to the Condensed Consolidated Interim Financial Information

8 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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.

	Unaudited	
	Six months ended 31 January	
	2017	2016 (Restated)
Earnings attributable to owners of the Company (RMB'000)	15,518	1,121
Weighted average number of ordinary shares in issue ('000)	1,834,746	1,689,698
Adjustment for share options ('000)	11,061	22,915
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,845,807	1,712,613
Diluted earnings per share (RMB cents)	0.84	0.07

9 DIVIDENDS

(i) Dividends payable to owners 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 2017 and 2016.

(ii) Dividends payable to owners 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.

Notes to the Condensed Consolidated Interim Financial Information

10 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment RMB'000 (Restated)	Land use rights RMB'000 (Restated)
Cost		
At 31 July and 1 August 2015	1,106,660	25,471
Additions	83,879	–
Disposals	(13,425)	–
At 31 January 2016	1,177,114	25,471
Accumulated depreciation and amortisation		
At 31 July and 1 August 2015	683,779	6,388
Charge for the period	24,766	253
Written back on disposals	(7,716)	–
At 31 January 2016	700,829	6,641
Net book value		
At 31 January 2016 (Unaudited)	476,285	18,830
At 31 July 2015 (Audited)	422,881	19,083
Cost		
At 31 July and 1 August 2016	1,172,132	25,471
Additions	56,574	–
Disposals	(14,288)	–
At 31 January 2017	1,214,418	25,471
Accumulated depreciation and amortisation		
At 31 July and 1 August 2016	717,032	6,895
Charge for the period	26,808	253
Written back on disposals	(6,414)	–
At 31 January 2017	737,426	7,148
Net book value		
At 31 January 2017 (Unaudited)	476,992	18,323
At 31 July 2016 (Audited)	455,100	18,576

As at 31 January 2017 and 31 July 2016, certain land use rights, property, plant and equipment have been pledged as security for its trade finances, overdraft and bank loans (note 16).

Notes to the Condensed Consolidated Interim Financial Information

11 INVENTORIES

Inventories comprise:

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Raw materials	68,405	26,553
Work-in-progress	37,069	17,864
Finished goods	56,774	50,452
	162,248	94,869

12 TRADE AND OTHER RECEIVABLES

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Trade receivables	196,344	148,441
Bills receivable	63,199	51,910
Trade and bills receivables – gross	259,543	200,351
Less: Provision for impairment	(745)	(5,251)
Trade and bills receivables – net	258,798	195,100
Other receivables, prepayments and deposits	121,339	72,151
Less: Provision for impairment	(34,000)	(34,000)
Other receivables, prepayments and deposits – net (Note)	87,339	38,151
Less: Prepayments and deposits (non-current)	(17,464)	(9,772)
Total trade and other receivables (current)	328,673	223,479

Notes to the Condensed Consolidated Interim Financial Information

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

Included in “other receivables, prepayments and deposits” were deposits of RMB34,000,000 (“Deposits”) 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, the PRC for a consideration of RMB44,000,000 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 1 November 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 Deposits of RMB34,000,000. On 31 August 2016, a settlement agreement (“Settlement Agreement”) was entered into between the Group and the Vendor, pursuant to which the Vendor shall repay the Deposits and the interest thereon at 5% per annum by 30 November 2016. Up to the date of this condensed consolidated interim financial information, the Deposits have not yet been refunded to the Group. In view of the lapse of the Agreement and Settlement Agreement, and there is no collateral or guarantee provided by the Vendor to the Group on the refund of the Deposits, a provision for impairment was made on the entire amount of the Deposits.

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

	Unaudited	Audited
	At 31 January	At 31 July
	2017	2016
	RMB'000	RMB'000
Neither past due nor impaired	250,334	187,615
Past due for:		
Less than 1 month	6,478	2,906
1 to 3 months	1,550	1,958
More than 3 months	1,181	7,872
	9,209	12,736
	259,543	200,351

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

The Group does not hold any collaterals from customers.

Notes to the Condensed Consolidated Interim Financial Information

13 BANK DEPOSITS

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Bank deposits	9,020	–
Pledged deposits with banks (note)	110,373	12,986
	119,393	12,986

Note:

The deposits are pledged to banks as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 16).

14 CASH AND CASH EQUIVALENTS

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Cash and cash equivalents	36,476	45,586
Bank overdrafts (note 16)	(21,384)	(17,524)
Cash and cash equivalents in the condensed consolidated statement of cash flows	15,092	28,062

Notes to the Condensed Consolidated Interim Financial Information

15 TRADE AND OTHER PAYABLES

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Trade payables	278,067	154,926
Bills payable	9,011	7,211
Trade and bills payables	287,078	162,137
Payables for the purchase of property, plant and equipment	15,703	14,923
Accrued expenses and other payables	130,022	57,633
Trade and other payables	432,803	234,693

The aging analysis of trade and bills payables on invoice date is as follows:

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Less than 1 month	91,089	49,620
1 to 3 months	145,637	72,750
More than 3 months	50,352	39,767
	287,078	162,137

Notes to the Condensed Consolidated Interim Financial Information

16 BORROWINGS

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Current		
Short-term bank borrowings, secured	30,000	30,000
Short-term bank borrowings, unsecured	14,800	14,800
Bank overdrafts, secured	21,384	17,524
Trust receipts bank loans, secured	153,414	62,625
Portion of bank borrowings repayable within one year, secured	41,284	39,836
	260,882	164,785
Non-current		
Bank borrowings repayable after one year but within two years, secured	41,284	39,836
Bank borrowings repayable after two years but within five years, secured	26,578	45,563
	67,862	85,399
Total borrowings	328,744	250,184

Notes to the Condensed Consolidated Interim Financial Information

16 BORROWINGS (CONTINUED)

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

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Bills receivable	–	4,212
Bank deposits	110,373	12,986
Buildings	184,258	184,549
Plant and machinery	28,024	31,369
Land use rights	15,308	15,524
	337,963	248,640

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling RMB354,054,000 (31 July 2016: RMB266,111,000), were utilised to the extent of RMB313,944,000 at 31 January 2017 (31 July 2016: RMB235,384,000). The Group's banking facilities also included certain unsecured banking facilities, totally RMB14,800,000 (31 July 2016: RMB82,500,000), which were utilised to the extent of RMB14,800,000 at 31 January 2017 (31 July 2016: RMB14,800,000).

17 SHARE OPTION SCHEME

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

Pursuant to the resolution passed by directors at a meeting of the board on 16 December 2013, the board approved the grant of 110,100,000 share options under the rules of the share option scheme at an exercise price of HK\$0.308 per share. The options' fair value of HK\$12,654,000 (equivalent to RMB10,137,000) was measured at grant date using the binomial option pricing model.

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE OPTION SCHEME (CONTINUED)

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

Pursuant to the resolution duly passed by directors of the Company at a meeting of the board on 22 December 2016, the board approved the grant of 176,320,000 share options under rules of the share option scheme at an exercise price of HK\$0.326 per share. On the same date, the financial information of the Group for the three months ended 31 October 2016 was published in order for its holding company, V.S. Industry Berhad, to compile its quarterly report in compliance with the applicable laws and regulations in Malaysia. As such financial information is considered as inside information, the board announced to withdraw the grant of share options of 176,320,000 on 5 January 2017 with grantees’ consent in compliance with the Rules Governing the Listing of Securities on the Stock Exchange.

Pursuant to the resolution duly passed at EGM of the Company held on 10 February 2017, the Company refreshed the existing share option scheme limit up to 10% of the issued share capital of the Company as at the date of EGM. As at the date of the EGM, there were 1,836,024,291 shares of the Company in issue. Accordingly, the initial mandate was 183,602,429 shares of the Company.

Pursuant to the resolution in writing signed by directors on 12 January 2017 and approved by the shareholders on 10 February 2017, 176,320,000 share options (“New Share Options”) were granted under the rules of the share option scheme at an exercise price of HK\$0.320 per share. The option’s fair value of HK\$17,003,000 (equivalent to RMB15,226,000) was measured at grant date using the binomial option pricing model. For the period ended 31 January 2017, an amount of RMB3,082,000 (period ended 31 January 2016: RMB771,000) was recognised as employee costs with a corresponding increase in capital reserve within equity.

(a) The terms and conditions of the share options granted are as follows, whereby all options are to be settled by physical delivery of shares:

Date granted	Vesting period	Exercisable period	Exercise price per option HK\$	Number of options
16 December 2013	16 December 2013 to 31 July 2014	1 August 2014 to 31 July 2017	0.308	36,700,000
	16 December 2013 to 31 July 2015	1 August 2015 to 31 July 2017	0.308	36,700,000
	16 December 2013 to 31 July 2016	1 August 2016 to 31 July 2017	0.308	36,700,000
				110,100,000

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE OPTION SCHEME (CONTINUED)

The terms and conditions of the New Share Options granted during the period are as follows, whereby all options are to be settled by physical delivery of shares:

Date granted	Vesting period	Exercisable period	Exercise price per option HK\$	Number of options
12 January 2017	12 January 2017 to 28 February 2017	1 March 2017 to 28 February 2019	0.320	88,160,000
	12 January 2017 to 28 February 2018	1 March 2018 to 28 February 2019	0.320	88,160,000
				176,320,000

Pursuant to the rules of the share option scheme, the options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, ill-health or retirement.

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

	2017		2016	
	Exercise price HK\$	Number of options '000	Exercise price HK\$	Number of options '000
At 1 August	0.308	72,836	0.308	83,644
Granted during the period	0.323	352,640	N/A	–
Exercised during the period	0.308	(3,479)	0.308	(3,116)
Cancelled during the period	0.326	(176,320)	N/A	–
Lapsed during the period	0.308	(2,000)	N/A	–
At 31 January	0.317	243,677	0.308	80,528
Exercisable at the end of the period	0.308	67,357	0.308	45,028

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE OPTION SCHEME (CONTINUED)

(c) Fair value of options and assumptions

The fair value of the options granted on 16 December 2013 was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were expected dividend yield of 0%, weighted average option life of 3.6 years, expected volatility of 64.81% and the risk-free rate of 0.735% based on Hong Kong Exchange Fund Notes.

The fair value of the options granted on 12 January 2017 was determined using the binomial valuation method at the date of grant; no subsequent revaluation at the period end is required. The significant inputs into the model were expected dividend yield of 0%, weighted average option life of 2.13 years, expected volatility of 63.27% and the risk-free rate of 0.980% based on Hong Kong Government Bond Yield.

18 SHARE CAPITAL

Authorised and issued share capital

	Unaudited At 31 January 2017		Audited At 31 July 2016	
	Number of shares '000	Amount '000	Number of shares '000	Amount '000
Authorised: Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid: (RMB'000)				
At 1 August	1,832,546	84,996	1,821,738	84,549
Issuance of shares upon exercising of share option	3,479	150	10,808	447
At 31 January/31 July	1,836,025	85,146	1,832,546	84,996

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Condensed Consolidated Interim Financial Information

19 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2017 and 31 July 2016 are as follows:

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Contracted but not provided for	3,436	2,003

(b) Operating lease commitments

The Group as lessee

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Within one year	4,217	4,207

The Group as lessor

As at 31 January 2017 and 31 July 2016, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Within one year	547	2,262

Notes to the Condensed Consolidated Interim Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) During the six months ended 31 January 2017, the Group entered into the following significant related party transactions:

	Unaudited	
	Six months ended 31 January	
	2017	2016
	RMB'000	RMB'000 (Restated)
Sales to the ultimate holding company	-	1,332
Sales to an associate	1,338	5,068
	1,338	6,400
Operating lease charges paid and payable to a company controlled by a director	3,704	3,704
Purchase fabricated moulds and certain moulded productions and parts from a company controlled by a family member of a director	762	20
Management fee paid and payable to a company controlled by a director	253	253
Sub-contracting fee paid and payable to a company controlled by a family member of a director	3,818	4,088
Repair and maintenance services paid and payable to a company controlled by a family member of a director	795	165

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

Notes to the Condensed Consolidated Interim Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Amount due from a company controlled by a director	1,823	2,490
Amount due from a company controlled by a family member of a director	646	–
Amount due from an associate (note)	4,537	13,890
	7,006	16,380

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

Note:

The entire amount due from an associate arises from trading transactions which is interest-free and unsecured, an aging analysis based on due date is as follows:

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Due within 1 month or on demand	–	2,072
Due after 1 month but within 3 months	1,379	1,055
Due after 3 months but within 6 months	14	607
Due over 6 months	3,144	10,156
	4,537	13,890

The maximum exposure to credit risk is the fair value of the above receivables. The Group grant its associate credit term mainly ranging from 60 to 120 days.

Notes to the Condensed Consolidated Interim Financial Information

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
Amounts due to directors	207	200
Amount due to the ultimate holding company	10	32
Amounts due to companies controlled by the family member of a director	2,128	471
	2,345	703

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

Management Discussion and Analysis of Results of Operations

OVERVIEW

During the period, the Group recorded higher revenue, gross profit and profit attributable to owners of the Company due to its strategy to focus on higher value-added products and selling of its new original design manufacturer (“ODM”) product.

FINANCIAL REVIEW

The Group recorded a turnover of RMB667.01 million, representing a significant increase of RMB192.74 million or 40.64% as compared to RMB474.27 million for the corresponding period in 2016. Gross profit for the six months ended 31 January 2017 increased from RMB79.36 million for the corresponding period in 2016 to RMB115.67 million. The gross profit margin improved from 16.73% to 17.34%.

The Group’s operating expenses, composed of distribution and general administrative expenses, increased from RMB67.18 million to RMB82.68 million, an increase of RMB15.50 million over the corresponding period in 2016. The Group recorded a profit of RMB15.52 million as compared to RMB1.12 million for the corresponding period in 2016.

Plastic injection and moulding business

The Group recorded a revenue of RMB287.96 million for this segment as compared to RMB275.23 million for the corresponding period in 2016, representing an increase of RMB12.73 million or 4.63%.

Assembling of electronic products business

This segment recorded a revenue of RMB343.80 million, representing a significant increase of RMB180.80 million or 110.92% from RMB163.00 million for the corresponding period in 2016. The significant increase in turnover of this segment was mainly attributable to substantial increase in the amount of purchase orders of an ODM product placed by customers with the Group.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB35.25 million, representing a slight decrease of RMB0.79 million or 2.19% as compared to RMB36.04 million for the corresponding period in 2016.

Distribution costs

Distribution costs amounted to RMB36.12 million, representing an increase of RMB6.43 million or 21.66% as compared to RMB29.69 million for the corresponding period ended 31 January 2016. The increase was in line with the increase in the revenue of the Group for the period.



Management Discussion and Analysis of Results of Operations

General and administrative expenses

General and administrative expenses amounted to RMB46.56 million for the period, representing an increase of RMB9.07 million or 24.19% as compared to RMB37.49 million for the corresponding period in 2016. The increase was primarily due to equity settled share-based payment expenses of RMB2.32 million and research and development expenses of RMB3.17 million during the period.

Other losses – net

During the period, the Group recorded other net losses of RMB4.45 million as compared to net losses of RMB0.05 million for the corresponding period in 2016, which comprised mainly net loss on disposal of property, plant and equipment of RMB0.63 million and net foreign exchange loss of RMB3.82 million.

Finance costs – net

The net finance costs for the period increased by 2.42% or RMB0.15 million from RMB6.21 million for the corresponding period in 2016 to RMB6.36 million. The slight increase was mainly due to higher interest-bearing borrowings during the period.

Share of loss of an associate

The Group's share of loss of an associate of RMB1.96 million (2016: RMB0.64 million) was solely attributed to loss incurred by its associate in Vietnam.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2017 (2016: nil).



Future Prospects

The Group will continue to focus on improving its production efficiency and productivity such as applying of advance automatic machines as well as realignment of its product lines to improve its profitability. In addition, the Group will continue to invest in research and development and increase its ODM product lines and customer base which are expected to contribute positively to the performance of the Group.

Other Information

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. 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 2017, the Group had cash and bank deposits of RMB155.87 million (31 July 2016: RMB58.57 million), of which RMB110.37 million (31 July 2016: RMB12.99 million) was pledged to the banks for the facilities granted to the Group. 20.28%, 79.44% and 0.26% of cash and bank deposits are denominated in United States dollars ("USD"), RMB and HK\$, respectively.

As at 31 January 2017, the Group had outstanding interest-bearing bank borrowings of RMB328.74 million (31 July 2016: RMB250.19 million). The total borrowings were denominated in USD (57.35%), RMB (36.14%) and HK\$ (6.51%), and the maturity profile is as follows:

Repayable	As at 31 January 2017		As at 31 July 2016	
	RMB million (Unaudited)	%	RMB million (Audited)	%
Within one year	260.88	79.36	164.79	65.87
After one year but within two years	41.28	12.56	39.84	15.92
After two years but within five years	26.58	8.08	45.56	18.21
Total borrowings	328.74	100.00	250.19	100.00
Cash and bank deposits	(155.87)		(58.57)	
Net borrowings	172.87		191.62	

As at 31 January 2017, the Group's net current liabilities were RMB51.04 million (31 July 2016: RMB15.70 million). As at 31 January 2017, the Group has undrawn bank facilities of RMB40.11 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 2017 was 27.56% (31 July 2016: 27.96%).

CHARGES ON GROUP ASSETS

As at 31 January 2017, certain assets of the Group with an aggregate carrying value of RMB337.96 million (31 July 2016: RMB248.64 million) were pledged to secure loan and trade financing facilities for the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the period, the Group did not conduct any significant investments, material acquisitions or disposals. Save for those disclosed in this interim report, the Group does not have any concrete plan for material investments or capital assets as at the date of this interim report.

CONTINGENT LIABILITIES

The Group does not have any material contingent liabilities as at 31 January 2017.

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 the risk was primarily USD.

During the period, the Group has made net foreign exchange losses of RMB3.83 million (2016: RMB0.40 million) mainly due to the unrealised and realised foreign exchange loss.

Most of the Group's sales transactions are denominated in RMB and USD and certain payments of the Group were made in RMB and USD. In view of fluctuation of the RMB against the USD during the period, the Group was exposed to foreign currency risk primarily in respect of bank borrowing denominated in USD.

The Group did not use any financial instruments to hedge its exposure to foreign currency risk during the period and the management of the Group 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 2017, the Group had a total of 2,832 employees (31 July 2016: 2,687). 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 RMB107.25 million (2016: RMB84.45 million). The increase in human resources expenses was mainly due to the increase in the number of employees during the period and 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.



Other Information

The Group has adopted a provident fund scheme for its employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group is contributing mandatory government pension scheme for its employees in the PRC.

As a 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.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 31 January 2017 requiring disclosure in this interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2017 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 and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 January 2017, the interests and short positions of the Directors and chief executive of the Company in the shares ("Shares"), underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Other Information

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	143,362,027 Shares (L) (Notes 3 and 10)	7.81%
	V.S. Corporation (Hong Kong) Co., Limited ("VSHK")	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
	V.S. Industry Berhad ("VS Berhad")	Beneficial owner	146,313,493 Ordinary Shares (L) (Note 11)	12.33%
Gan Sem Yam	The Company	Beneficial owner	60,337,117 Shares (L) (Notes 3 and 10)	3.29%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
	VS Berhad	Beneficial owner	89,203,583 Ordinary Shares (L) (Note 12)	7.52%

Other Information

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	45,668,704 Shares (L) (Notes 4 and 10)	2.49%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
	VS Berhad	Beneficial owner	81,250,875 Ordinary Shares (L) (Note 13)	6.85%
Zhang Pei Yu	The Company	Beneficial owner	22,090,000 Shares (L) (Notes 5 and 10)	1.20%
Beh Chern Wei	The Company	Beneficial owner	40,600,000 Shares (L) (Notes 6 and 10)	2.21%
	VS Berhad	Beneficial owner	16,800,000 Ordinary Shares (L) (Note 14)	1.42%
Gan Tiong Sia	The Company	Beneficial owner	27,235,074 Shares (L) (Notes 7 and 10)	1.48%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Berhad	Beneficial owner	25,098,430 Ordinary Shares (L) (Note 15)	2.12%

Other Information

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Diong Tai Pew	The Company	Beneficial owner	4,125,129 Shares (L) (Notes 8 and 10)	0.22%
Tang Sim Cheow	The Company	Beneficial owner	3,351,130 Shares (L) (Notes 8 and 10)	0.18%
	VS Berhad	Beneficial owner	400,000 Ordinary Shares (L) (Note 16)	0.03%
Fu Xiao Nan	The Company	Beneficial owner	1,512,000 Shares (L) (Notes 9 and 10)	0.08%

Notes:

- Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Messrs. Gan Sem Yam and Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Messrs. Gan Sem Yam and Gan Tiong Sia. Mr. Beh Chern Wei is the son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, and the nephew of Mr. Gan Tiong Sia and Mr. Gan Sem Yam.
- The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
- 24,600,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to each of the executive Directors, namely Mr. Beh Kim Ling and Mr. Gan Sem Yam respectively by the Company under its share option scheme, details of which are set out in note 10 below, as at 31 January 2017.
- 21,400,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, namely Madam Gan Chu Cheng, by the Company under its share option scheme, details of which are set out in note 10 below, as at 31 January 2017.
- 22,088,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, namely Mr. Zhang Pei Yu, by the Company under its share option scheme, details of which are set out in note 10 below, as at 31 January 2017.
- 18,600,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the executive Director, namely Mr. Beh Chern Wei, by the Company under its share option scheme, details of which are set out in note 10 below, as at 31 January 2017.

Other Information

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Notes: (Continued)

7. 10,020,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the non-executive Director, namely Mr. Gan Tiong Sia, by the Company under its share option scheme, details of which are set out in note 10 below, as at 31 January 2017.
8. 2,712,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to each of the Independent non-executive Directors, namely Mr. Diong Tai Pew and Mr. Tang Sim Cheow, respectively by the Company under its share option scheme, details of which are set out in note 10 below, as at 31 January 2017.
9. 1,512,000 of these Shares would be allotted and issued upon exercise in full of the outstanding share options granted to the Independent non-executive Director, namely Ms. Fu Xiao Nan, by the Company under its share option scheme, details of which are set out in note 10 below, as at 31 January 2017.
10. On 16 December 2013 and 12 January 2017, share options were granted respectively by the Company under its share option scheme, which was adopted on 21 September 2012 and will be valid until 20 September 2022, to, among other eligible participants, the Directors. These share options, all of which remained outstanding as at 31 January 2017, are exercisable at a price of HK\$0.308 and HK\$0.320 per Share respectively during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Option Scheme" on pages 50 to 55 of this interim Report.
11. 2,550,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 28,582,698 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
12. 2,550,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 17,160,893 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
13. 2,550,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 19,463,149 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
14. 600,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.
15. 2,550,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.
16. All of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 31 January 2017 was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 20 to the interim financial information of the Group, no contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period under review or at any time during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 January 2017, the following entity, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of Shares (Note 1)	Nature of interest/capacity	Approximate percentage of Interest
VS Berhad	800,087,971 (L)	Beneficial owner	43.58%

Note:

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

Other Information

SHARE OPTION SCHEME

The following table discloses details of share options held by the grantees and movements in such holdings during the six months ended 31 January 2017:

Name of grantee	Date of grant	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2017	
Directors										
Beh Kim Ling	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000	
		1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000	
		1 August 2016 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000	
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
	Gan Sem Yam	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
			1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
1 August 2016 to 31 July 2017			0.308	N/A	3,200,000	-	-	-	3,200,000	
22 December 2016 (Note 2)		1 February 2017 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
12 January 2017 (Note 3)		1 March 2017 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 January 2017	
Gan Chu Cheng	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	-	-	-	-	-	
		1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000	
		1 August 2016 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000	
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
	Zhang Pei Yu	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	688,000	-	-	-	688,000
			1 August 2015 to 31 July 2017	0.308	N/A	3,200,000	-	-	-	3,200,000
1 August 2016 to 31 July 2017			0.308	N/A	3,200,000	-	-	-	3,200,000	
22 December 2016 (Note 2)		1 February 2017 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
12 January 2017 (Note 3)		1 March 2017 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	

Other Information

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2017	
Beh Chern Wei	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	1,200,000	-	-	-	1,200,000	
		1 August 2015 to 31 July 2017	0.308	N/A	1,200,000	-	-	-	1,200,000	
		1 August 2016 to 31 July 2017	0.308	N/A	1,200,000	-	-	-	1,200,000	
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	7,500,000	7,500,000	-	
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	7,500,000	-	7,500,000	
	Gan Tiong Sia	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	-	-	-	-	-
			1 August 2015 to 31 July 2017	0.308	N/A	1,000,000	-	-	-	1,000,000
1 August 2016 to 31 July 2017			0.308	N/A	1,500,000	-	-	-	1,500,000	
22 December 2016 (Note 2)		1 February 2017 to 31 January 2019	0.326	N/A	-	-	3,760,000	3,760,000	-	
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	3,760,000	3,760,000	-	
12 January 2017 (Note 3)		1 March 2017 to 28 February 2019	0.320	N/A	-	-	3,760,000	-	3,760,000	
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	3,760,000	-	3,760,000	

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 January 2017	
Diong Tai Pew	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000	
		1 August 2015 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000	
		1 August 2016 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000	
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	-	-	756,000	756,000	-	
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	756,000	756,000	-	
		12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	-	-	756,000	-	756,000
	12 January 2017 (Note 3)	1 March 2018 to 28 February 2019	0.320	N/A	-	-	756,000	-	756,000	
		22 December 2016 (Note 2)	1 August 2014 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
			1 August 2015 to 31 July 2017	0.308	N/A	400,000	-	-	-	400,000
1 August 2016 to 31 July 2017	0.308		N/A	400,000	-	-	-	400,000		
22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	-	-	756,000	756,000	-		
	1 February 2018 to 31 January 2019	0.326	N/A	-	-	756,000	756,000	-		
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	-	-	756,000	-	756,000	
12 January 2017 (Note 3)	1 March 2018 to 28 February 2019	0.320	N/A	-	-	756,000	-	756,000		

Other Information

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2016	Exercised during the period	Granted during the period	Lapsed/ cancelled during the period	Outstanding at 31 January 2017
Fu Xiao Nan	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	-	-	756,000	756,000	-
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	756,000	756,000	-
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	-	-	756,000	-	756,000
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	756,000	-	756,000
Lee Soo Gee (resigned as an independent non-executive Director with effect from 12 June 2015)	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	N/A	400,000	-	-	400,000	-
		1 August 2015 to 31 July 2017	0.308	N/A	400,000	-	-	400,000	-
		1 August 2016 to 31 July 2017	0.308	N/A	400,000	-	-	400,000	-
					42,388,000	-	174,112,000	88,256,000	128,244,000
Other employees (Note 4)	16 December 2013 (Note 1)	1 August 2014 to 31 July 2017	0.308	0.405	1,648,000	348,000	-	-	1,300,000
		1 August 2015 to 31 July 2017	0.308	0.397	10,000,000	1,522,744	-	400,000	8,077,256
		1 August 2016 to 31 July 2017	0.308	0.387	18,800,000	1,608,000	-	400,000	16,792,000
	22 December 2016 (Note 2)	1 February 2017 to 31 January 2019	0.326	N/A	-	-	44,632,000	44,632,000	-
		1 February 2018 to 31 January 2019	0.326	N/A	-	-	44,632,000	44,632,000	-
	12 January 2017 (Note 3)	1 March 2017 to 28 February 2019	0.320	N/A	-	-	44,632,000	-	44,632,000
		1 March 2018 to 28 February 2019	0.320	N/A	-	-	44,632,000	-	44,632,000
					30,448,000	3,478,744	178,528,000	90,064,000	115,433,256
					72,836,000	3,478,744	352,640,000	178,320,000	243,677,256

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The average closing price of the Shares as stated on the Stock Exchange's daily quotation sheets five trading days immediately before 16 December 2013, being the date of the grant of share options during the period, was HK\$0.308.
2. The average closing price of the Shares as stated on the Stock Exchange's daily quotation sheets five trading days immediately before 22 December 2016, being the date of the grant of share options during the period, was HK\$0.326. The closing price of the Shares on 21 December 2016 (the trading day immediately before the date on which the options were granted) was HK\$0.315.
3. The closing price of the Shares as stated on the Stock Exchange's daily quotation sheets on 12 January 2017, being the date of the grant of share options during the period, was HK\$0.320. The closing price of the Shares on 11 January 2017 (the trading day immediately before the date on which the options were granted) was HK\$0.320.
4. Other employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Cap.57 of the Laws of Hong Kong).

For details of the Share Option Scheme, please refer to note 17 to the interim financial information of the Group.

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 deviation from Code Provision A.2.1 in respect of segregation of the roles of chairman and chief executive officer.

According to Code Provision A.2.1 under the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Beh Kim Ling and Mr. Gan Sem Yam are the Chairman and the 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.



Other Information

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 2017.

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

Macau, the PRC
21 March 2017