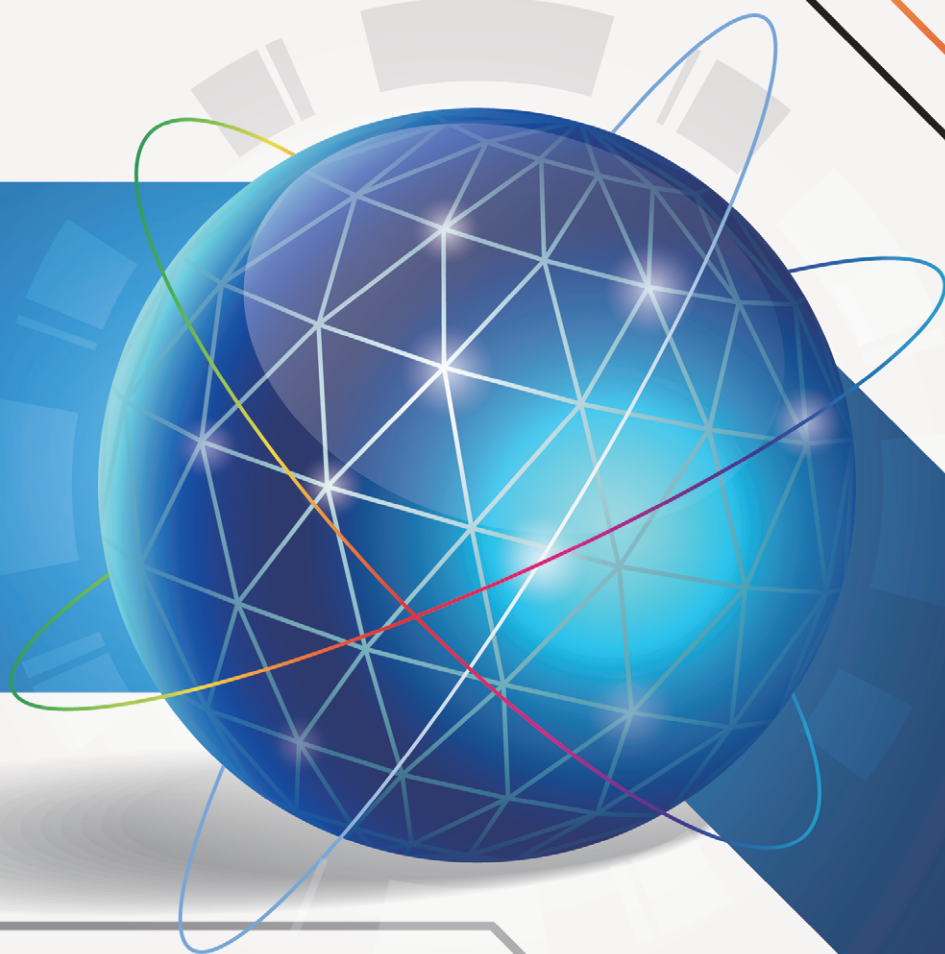




V.S. International Group Limited

威鉞國際集團有限公司

(incorporated in the Cayman Islands with limited liability)
(stock code: 1002)



INTERIM REPORT
2015/16



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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

Codan 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

P.O. Box 957, Offshore Incorporations Centre
Road Town, Tortola
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

40th Floor, 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 2016, which has 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

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	4	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	5	(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	6(a)	(7,552)	(10,153)
Share of loss of an associate		(769)	(766)
Profit/(loss) before income tax	6	9,745	(675)
Income tax expense	7(a)	(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)			
Basic	8	0.06	(0.48)
Diluted	8	0.06	(0.48)

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2016

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Profit/(loss) for the period	1,070	(7,590)
Other comprehensive loss for the period		
<i>Item that will not be reclassified to profit or loss</i>		
Exchange differences	(33,108)	(7,661)
Total comprehensive loss for the period attributable to equity holders of the Company	(32,038)	(15,251)

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

Condensed Consolidated Statement of Financial Position

At 31 January 2016

		Unaudited At 31 January 2016 HK\$'000	Audited At 31 July 2015 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	10	561,196	527,885
Land use rights	10	22,284	23,811
Interest in an associate		15,900	16,669
Prepayments and deposits	12	11,211	91,662
Deferred income tax assets	7(b)	3,938	4,352
		614,529	664,379
Current assets			
Inventories	11	115,572	128,048
Trade and other receivables	12	305,763	264,472
Amounts due from related parties	20(b)	26,194	25,201
Bank deposits	13	15,466	22,245
Cash and cash equivalents	14	97,911	74,967
		560,906	514,933
Total assets		1,175,435	1,179,312
EQUITY			
Capital and reserves			
Share capital	18	91,243	91,087
Share premium		266,141	264,971
Reserves		147,603	179,085
Total equity attributable to equity holders of the Company		504,987	535,143
LIABILITIES			
Non-current liabilities			
Borrowings	16	123,437	146,218
Deferred income tax liabilities	7(b)	444	650
		123,881	146,868

Condensed Consolidated Statement of Financial Position

At 31 January 2016

		Unaudited At 31 January 2016 HK\$'000	Audited At 31 July 2015 HK\$'000
Current liabilities			
Trade and other payables	15	327,031	300,158
Amounts due to related parties	20(c)	2,417	1,139
Derivative financial instruments		–	9
Borrowings	16	205,394	185,145
Tax payable		11,725	10,850
		546,567	497,301
Total liabilities		670,448	644,169
Total equity and liabilities		1,175,435	1,179,312

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2016

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Foreign exchange translation reserve HK\$'000	Statutory reserve fund HK\$'000	Employee share-based capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 August 2014	73,900	126,282	9,584	177,118	45,137	6,325	(29,355)	408,991
Loss for the period	-	-	-	-	-	-	(7,590)	(7,590)
Other comprehensive loss								
Exchange differences	-	-	-	(7,661)	-	-	-	(7,661)
Total comprehensive loss for the period	-	-	-	(7,661)	-	-	(7,590)	(15,251)
Issuance of shares upon exercising of share options	1,122	7,943	-	-	-	(2,154)	-	6,911
Issuance of new shares	13,334	103,856	-	-	-	-	-	117,190
Transferred from retained profits	-	-	-	-	18,823	-	(18,823)	-
Fair value of employee services under the share option scheme	-	-	-	-	-	2,243	-	2,243
At 31 January 2015	88,356	238,081	9,584	169,457	63,960	6,414	(55,768)	520,084
At 1 August 2015	91,087	264,971	9,584	173,772	67,173	8,285	(79,729)	535,143
Profit for the period	-	-	-	-	-	-	1,070	1,070
Other comprehensive loss								
Exchange differences	-	-	-	(33,108)	-	-	-	(33,108)
Total comprehensive loss for the period	-	-	-	(33,108)	-	-	1,070	(32,038)
Issuance of shares upon exercising of share options	156	1,170	-	-	-	(365)	-	961
Transferred from retained profits	-	-	-	-	3,145	-	(3,145)	-
Fair value of employee services under the share option scheme	-	-	-	-	-	921	-	921
At 31 January 2016	91,243	266,141	9,584	140,664	70,318	8,841	(81,804)	504,987

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2016

Unaudited
Six months ended 31 January
2016 2015
HK\$'000 HK\$'000

Cash flows from operating activities

Cash generated from operations
Income tax paid

107,726	58,646
(7,592)	(9,692)

Net cash generated from operating activities

100,134	48,954
---------	--------

Cash flows from investing activities

Payments for the purchase of property, plant and equipment
Proceeds from disposal of property, plant and equipment
Decrease in bank deposits
Interest received

(81,820)	(23,080)
7,330	2,637
6,368	10,796
257	595

Net cash used in investing activities

(67,865)	(9,052)
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Cash flows from financing activities

Repayment of bank loans
Proceeds from new bank loans
Proceeds from shares issued under the share option scheme
Net proceeds from issuance of new shares
Borrowing costs paid

(127,484)	(258,881)
123,235	172,271
961	6,911
–	117,190
(7,809)	(10,753)

Net cash (used in)/generated from financing activities

(11,097)	26,738
----------	--------

Net increase in cash and cash equivalents

21,172	66,640
--------	--------

Cash and cash equivalents at 1 August

58,189	67,476
--------	--------

Effect of foreign exchange rates changes

(2,798)	(641)
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Cash and cash equivalents at 31 January

76,563	133,475
--------	---------

The notes on pages 11 to 38 are an integral part of this 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 Hong Kong dollars (“HK\$”), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 31 January 2016 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 22 March 2016.

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 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.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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;

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 are not yet effective and have not been early adopted by the Group (Continued)

- 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.

Notes to the Condensed Consolidated Interim Financial Information

3 FINANCIAL RISK MANAGEMENT

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 2015.

There have been no changes in the risk management policies since 31 July 2015.

As at 31 July 2015, the Group's forward foreign exchange contracts are carried at fair values, by valuation method. The different levels of fair value measurement hierarchy have been 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 or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 January 2016, all forward foreign exchange contracts have been sold.

As at 31 January 2016 and 31 July 2015, the Group does not have other 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 31 January:								
Revenue from external customers	332,525	386,536	196,974	188,971	43,555	42,383	573,054	617,890
Reportable segment result	30,839	25,442	16,135	16,336	8,713	9,258	55,687	51,036
Additions to non-current segment assets during the period	90,375	10,129	6,687	15,172	225	276	97,287	25,577
At 31 January/31 July:								
Reportable segment assets	647,435	611,778	141,376	182,737	74,098	83,670	862,909	878,185
Reportable segment liabilities	205,184	150,704	92,369	90,781	5,920	6,164	303,473	247,649

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	
	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 (Note 6(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)

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

	At 31 January 2016 HK\$'000	At 31 July 2015 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

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	
	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
	573,054	617,890

An analysis of the Group's carrying amount of segment non-current assets has not been presented as over 90% of the non-current assets are located in the People's Republic of China (the "PRC").

5 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
	(56)	(2,295)

Notes to the Condensed Consolidated Interim Financial Information

6 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
	7,809	10,748
Finance costs – net	7,552	10,153

(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 of trade receivables	161	668

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
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 any 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.

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE (CONTINUED)

(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	
	2016	2015
	HK\$'000	HK\$'000
At beginning of the period	(650)	(2,298)
Payment of withholding tax	354	1,756
Charged to the income statement	(148)	(92)
At end of the period	(444)	(634)

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
At beginning of the period	4,352	3,077
(Charged)/credited to the income statement	(414)	203
At end of the period	3,938	3,280

Notes to the Condensed Consolidated Interim Financial Information

8 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)	1,070	(7,590)
Weighted average number of ordinary shares in issue ('000)	1,689,698	1,566,289
Basic earnings/(loss) per share (HK cents)	0.06	(0.48)

(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)	1,070	
Weighted average number of ordinary shares in issue ('000)	1,689,698	
Adjustment for share options ('000)	22,915	
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,712,613	
Diluted earnings per share (HK cents)	0.06	

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.

Notes to the Condensed Consolidated Interim Financial Information

9 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.

Notes to the Condensed Consolidated Interim Financial Information

10 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment HK\$'000	Land use rights HK\$'000
Cost		
At 31 July and 1 August 2014	1,390,238	31,968
Exchange differences	(14,740)	(382)
Additions	17,390	–
Disposals	(24,299)	–
	<hr/>	<hr/>
At 31 January 2015	1,368,589	31,586
Accumulated depreciation and amortisation		
At 31 July and 1 August 2014	837,538	7,389
Exchange differences	(8,463)	(95)
Charge for the period	29,515	319
Written back on disposals	(19,198)	–
	<hr/>	<hr/>
At 31 January 2015	839,392	7,613
Net book value		
At 31 January 2015	<hr/> <hr/> 529,197	<hr/> <hr/> 23,973
At 31 July 2014	<hr/> <hr/> 552,700	<hr/> <hr/> 24,579
Cost		
At 31 July and 1 August 2015	1,381,465	31,789
Exchange differences	(64,765)	(1,650)
Additions	97,461	–
Disposals	(16,223)	–
	<hr/>	<hr/>
At 31 January 2016	1,397,938	30,139
Accumulated depreciation and amortisation		
At 31 July and 1 August 2015	853,580	7,978
Exchange differences	(37,240)	(429)
Charge for the period	29,727	306
Written back on disposals	(9,325)	–
	<hr/>	<hr/>
At 31 January 2016	836,742	7,855
Net book value		
At 31 January 2016	<hr/> <hr/> 561,196	<hr/> <hr/> 22,284
At 31 July 2015	<hr/> <hr/> 527,885	<hr/> <hr/> 23,811

As at 31 January 2016 and 31 July 2015, certain land use rights, property, plant and equipment have been pledged as security for bank loans (note 16).

Notes to the Condensed Consolidated Interim Financial Information

11 INVENTORIES

Inventories comprise:

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Raw materials	33,337	41,929
Work-in-progress	24,588	29,662
Finished goods	57,647	56,457
	115,572	128,048

12 TRADE AND OTHER RECEIVABLES

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
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 (Note)	75,032	102,644
	316,974	356,134
Less: Prepayments and deposits (non-current)	(11,211)	(91,662)
Total trade and other receivables (current)	305,763	264,472

Notes to the Condensed Consolidated Interim Financial Information

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
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 from customers.

Notes to the Condensed Consolidated Interim Financial Information

13 BANK DEPOSITS

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Pledged deposits with banks	15,466	22,245

14 CASH AND CASH EQUIVALENTS

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Cash and cash equivalents	97,911	74,967
Bank overdrafts (note 16)	(21,348)	(16,778)
Cash and cash equivalents in the condensed consolidated statement of cash flows	76,563	58,189

15 TRADE AND OTHER PAYABLES

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
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

Notes to the Condensed Consolidated Interim Financial Information

15 TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
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
	198,639	205,692

16 BORROWINGS

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Current		
Short-term bank borrowings, secured	37,734	37,449
Short-term bank borrowings, unsecured	15,073	25,349
Bank overdrafts, secured	21,348	16,778
Trust receipts bank loans, secured	84,549	61,384
Portion of bank borrowings repayable within one year, secured	46,690	44,185
	205,394	185,145
Non-current		
Bank borrowings repayable after one year but within two years, secured	46,690	46,510
Bank borrowings repayable after two years but within five years, secured	76,747	99,708
	123,437	146,218
Total borrowings	328,831	331,363

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:

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Bank deposits	15,466	22,245
Buildings	222,106	238,154
Plant and machinery	41,072	47,509
Land use rights	18,629	19,908
	297,273	327,816

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling HK\$355,033,000 (31 July 2015: HK\$376,692,000), were utilised to the extent of HK\$313,758,000 at 31 January 2016 (31 July 2015: HK\$306,014,000). The Group's banking facilities also included certain unsecured banking facilities, totally HK\$103,526,000 (31 July 2015: HK\$102,983,000), which were utilised to the extent of HK\$15,073,000 at 31 January 2016 (31 July 2015: HK\$25,349,000).

17 SHARE OPTION SCHEME

Pursuant to the resolution duly passed at the extraordinary general meeting ("EGM") of the Company held on 21 September 2012, the Company adopted a share option scheme, and 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 was measured at grant date using the binomial option pricing model. For the period ended 31 January 2016, an amount of HK\$921,000 (period ended 31 January 2015: HK\$2,243,000) was recognised as employee costs with a corresponding increase in capital reserve within equity.

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE OPTION SCHEME (CONTINUED)

Pursuant to the resolution duly passed at the annual general meeting (“AGM”) of the Company 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.

- (a) The terms and conditions of the 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
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

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.

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE OPTION SCHEME (CONTINUED)

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

	2016		2015	
	Exercise price HK\$	Number of options '000	Exercise price HK\$	Number of options '000
At 1 August	0.308	83,644	0.308	110,100
Exercised during the period	0.308	(3,116)	0.308	(22,440)
At 31 January	0.308	80,528	0.308	87,660
Exercisable at the end of the period	0.308	45,028	0.308	14,260

(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.

Notes to the Condensed Consolidated Interim Financial Information

18 SHARE CAPITAL

Authorised and issued share capital

	At 31 January 2016		At 31 July 2015	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid:				
At 1 August	1,821,738	91,087	1,478,002	73,900
Issuance of shares upon exercising of share option	3,116	156	24,056	1,203
Issuance of new shares (note)	–	–	319,680	15,984
At 31 January/31 July	1,824,854	91,243	1,821,738	91,087

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.

Note:

On 9 December 2014, 266,680,000 new shares were issued at the subscription price of HK\$0.45 each. The gross proceeds received by the Company were HK\$120,006,000, among which HK\$13,334,000 was credited to share capital account and the balance of HK\$103,856,000 (net of professional fee of HK\$2,816,000) was credited to the share premium account.

In addition, on 9 March 2015, 53,000,000 new shares were issued at the subscription price of HK\$0.55 each. The gross proceeds received by the Company were HK\$29,150,000, among which HK\$2,650,000 was credited to share capital account and the balance of HK\$26,318,000 (net of professional fee of HK\$182,000) was credited to the share premium account.

Notes to the Condensed Consolidated Interim Financial Information

19 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2016 and 31 July 2015 are as follows:

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Contracted but not provided for	17,685	18,414

(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:

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Within one year	4,987	5,301

Notes to the Condensed Consolidated Interim Financial Information

19 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (Continued)

The Group as lessor

As at 31 January 2016 and 31 July 2015, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Within one year	5,376	6,392
Later than one year and not later than five years	–	2,540
	5,376	8,932

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 2016, the Group entered into the following significant related party transactions:

	Unaudited	
	Six months ended 31 January	
	2016	2015
	HK\$'000	HK\$'000
Sales to the ultimate holding company	1,610	8,102
Sales to an associate	6,124	8,878
	7,734	16,980
Operating lease charges paid and payable to a company controlled by a director	4,476	4,669
Management fee paid and payable to a company controlled by a director	306	319
Sub-contracting fee paid and payable to a company controlled by a family member of a director	4,940	4,149
Repair and maintenance services paid and payable to a company controlled by a family member of a director	199	508

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:

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Amount due from a company controlled by a director	3,154	2,607
Amount due from an associate (note)	21,670	20,830
Amount due from the ultimate holding company	1,370	1,764
	26,194	25,201

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:

	Group	
	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Due within 1 month or on demand	5,968	11,706
Due after 1 month but within 3 months	2,489	2,503
Due after 3 months but within 6 months	9,516	2,802
Due over 6 months	3,697	3,819
	21,670	20,830

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:

	At 31 January 2016 HK\$'000	At 31 July 2015 HK\$'000
Amounts due to directors	234	206
Amount due to the ultimate holding company	20	209
Amounts due to companies controlled by the family member of a director	2,163	724
	2,417	1,139

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 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.

Management Discussion and Analysis of Results of Operations

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.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2016 (2015: nil).



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.

Other Information

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 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	
	HK\$ million	%	HK\$ million	%
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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisitions and disposals of subsidiaries and associated companies during six months ended 31 January 2016.

SIGNIFICANT INVESTMENTS HELD

During six months ended 31 January 2016, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITIES

As at 31 January 2016, the Group had not provided any form of guarantee for any company outside of the Group. The Group is not involved in any current material legal proceeding, nor is the Group aware of any pending or potential material legal proceeding involving the Group.

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.

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.

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 ("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 2016, 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:

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	79,962,027 Shares (L) (Notes 3 and 9)	4.38%
	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

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 Sem Yam	The Company	Beneficial owner	45,337,117 Shares (L) (Notes 3 and 9)	2.48%
	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
Gan Chu Cheng	The Company	Beneficial owner	30,668,704 Shares (L) (Notes 4 and 9)	1.68%
	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
Zhang Pei Yu	The Company	Beneficial owner	7,402,000 Shares (L) (Notes 5 and 9)	0.41%
Beh Chern Wei	The Company	Beneficial owner	25,600,000 Shares (L) (Notes 6 and 9)	1.40%
Gan Tiong Sia	The Company	Beneficial owner	20,215,074 Shares (L) (Notes 7 and 9)	1.11%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
Diong Tai Pew	The Company	Beneficial owner	2,613,129 Shares (L) (Notes 8 and 9)	0.14%
Tang Sim Cheow	The Company	Beneficial owner	1,839,130 Shares (L) (Notes 8 and 9)	0.10%



Other Information

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

Notes:

1. 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.
2. The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
3. 9,600,000 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 9 below, as at 31 January 2016.
4. 6,400,000 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 9 below, as at 31 January 2016.
5. 7,108,000 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 9 below, as at 31 January 2016.
6. 3,600,000 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 9 below, as at 31 January 2016.
7. 3,000,000 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 9 below, as at 31 January 2016.
8. 1,200,000 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 9 below, as at 31 January 2016.
9. On 16 December 2013, share options were granted 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 2016, are exercisable at a price of HK\$0.308 per Share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Option Scheme" on pages 48 to 50 of this interim Report.

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 2016 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 2016, 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
V.S. Industry Berhad	800,087,971 (L)	Beneficial owner	43.84%

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 2016:

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2015	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2016
Directors									
Beh Kim Ling	16 December 2013	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
Gan Sem Yam	16 December 2013	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
Gan Chu Cheng	16 December 2013	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

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2015	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2016
Zhang Pei Yu	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	708,000	-	-	-	708,000
		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
Beh Chern Wei (appointed as an executive Director with effect from 16 December 2015)	16 December 2013	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
Gan Tiong Sia	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	-	-	-	-	-
		1 August 2015 to 31 July 2017	0.308	N/A	1,500,000	-	-	-	1,500,000
		1 August 2016 to 31 July 2017	0.308	N/A	1,500,000	-	-	-	1,500,000
Diong Tai Pew	16 December 2013	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
Tang Sim Cheow	16 December 2013	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

Other Information

SHARE OPTION SCHEME (CONTINUED)

Name of grantee	Date of grant (Note 1)	Exercisable period	Exercise price HK\$	Weighted average closing price on the date immediately before the exercise date HK\$	Outstanding at 1 August 2015	Exercised during the period	Granted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2016
Lee Soo Gee (resigned as an independent non-executive Director with effect from 12 June 2015)	16 December 2013	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
					42,908,000	-	-	-	42,908,000
Other employees (Note 2)	16 December 2013	1 August 2014 to 31 July 2017	0.308	N/A	3,136,000	-	-	-	3,136,000
		1 August 2015 to 31 July 2017	0.308	0.480	18,800,000	3,116,000	-	-	15,684,000
		1 August 2016 to 31 July 2017	0.308	N/A	18,800,000	-	-	-	18,800,000
					40,736,000	3,116,000	-	-	37,620,000
					83,644,000	3,116,000	-	-	80,528,000

Notes:

1. The average closing price of the shares of the Company 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 year, was HK\$0.308.
2. 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).
3. There were no share options being cancelled during the six-month period ended 31 January 2016.

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 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 2016.

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

Macau, the PRC
22 March 2016