V.S. INTERNATIONAL GROUP LIMITED
威 鋮 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2017

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") would like to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 January 2017, which have 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	*2*	**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	*3*	**(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	*4(a)*	**(6,363)**	(6,213)
Share of loss of an associate		**(1,955)**	(636)
Profit before income tax	*4*	**23,038**	8,146
Income tax expense	*5*	**(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	*7(a)*	**0.85**	0.07
Diluted	*7(b)*	**0.84**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 JANUARY 2017

	Note	Unaudited At 31 January 2017 RMB'000	Audited At 31 July 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**476,992**	455,100
Land use rights		**18,323**	18,576
Interest in an associate		**25,166**	15,884
Prepayments and deposits	*8*	**17,464**	9,772
Deferred income tax assets		**905**	2,221
		538,850	501,553
Current assets			
Inventories		**162,248**	94,869
Trade and other receivables	*8*	**328,673**	223,479
Amounts due from related parties		**7,006**	16,380
Bank deposits		**119,393**	12,986
Cash and cash equivalents		**36,476**	45,586
		653,796	393,300
Total assets		**1,192,646**	894,853
EQUITY			
Capital and reserves			
Share capital		**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		**67,862**	85,399
Deferred income tax liabilities		**531**	567
		68,393	85,966

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 JANUARY 2017

	Note	**Unaudited At 31 January 2017** *RMB'000*	Audited At 31 July 2016 *RMB'000*
Current liabilities			
Trade and other payables	*9*	**432,803**	234,693
Amounts due to related parties		**2,345**	703
Borrowings		**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

Notes:

1 **Basis of preparation and accounting policies**

The Company has a financial year end date of 31 July. This condensed consolidated interim financial information for the six months ended 31 January 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.

Change in presentation currency

The Group has changed its presentation currency from Hong Kong dollars ("**HK$**") to Renminbi ("**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 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

(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.

2 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.

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

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

	Unaudited Six months ended 31 January	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Turnover		
Reportable segment revenue	**667,012**	474,266
Consolidated turnover	**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 4(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

	Unaudited	Audited
	At 31 January	At 31 July
	2017	2016
	RMB'000	*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

(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

3 Other losses – net

	Unaudited Six months ended 31 January	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Net foreign exchange (loss)/gain	**(3,826)**	49
Net (loss)/gain on disposal of property, plant and equipment	**(628)**	357
Net loss on forward foreign exchange contracts	**–**	(452)
	(4,454)	(46)

4 Profit before income tax

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

(a) Finance costs – net

	Unaudited Six months ended 31 January	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Interest income from bank deposits	**(253)**	(212)
Interest on bank borrowings repayable within five years	**5,813**	5,214
Less: borrowing costs capitalised as construction-in-progress	**(215)**	(14)
Other finance charges	**1,018**	1,225
	6,616	6,425
Finance costs – net	**6,363**	6,213

(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 on trade receivables	**588**	133

5 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.

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.

6 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.

7 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

(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 *(thousand shares)*	**1,834,746**	1,689,698
Adjustment for share options *(thousand shares)*	**11,061**	22,915
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**1,845,807**	1,712,613
Diluted earnings per share *(RMB cents)*	**0.84**	0.07

8 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
	346,137	233,251
Less: Prepayments and deposits (non-current)	**(17,464)**	(9,772)
Total trade and other receivables (current)	**328,673**	223,479

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

	Unaudited At 31 January 2017 *RMB'000*	Audited At 31 July 2016 *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 customer.

9 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 payable 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 month to 3 months	**145,637**	72,750
More than 3 months	**50,352**	39,767
	287,078	162,137

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.

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.

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.

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:

	As at 31 January 2017		As at 31 July 2016	
Repayable	***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 results announcement, the Group does not have any concrete plan for material investments or capital assets as at the date of this interim results announcement.

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.

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 results announcement.

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 of Hong Kong Limited and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions ("**Code Provisions**") of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months except for the 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.

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 of 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

List of all Directors as at the date of this announcement

Executive Directors:
Mr. Beh Kim Ling
Mr. Gan Sem Yam
Madam Gan Chu Cheng
Mr. Zhang Pei Yu
Mr. Beh Chern Wei

Independent non-executive Directors:
Mr. Diong Tai Pew
Mr. Tang Sim Cheow
Ms. Fu Xiao Nan

Non-executive Director:
Mr. Gan Tiong Sia