



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
2017/18

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Tang Sim Cheow
Fu Xiao Nan

AUDIT COMMITTEE OF THE BOARD

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

REMUNERATION COMMITTEE OF THE BOARD

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

NOMINATION COMMITTEE OF THE BOARD

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

COMPANY SECRETARY

Ng Ting On, Polly

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

AUDITOR

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

Corporate Information

PRINCIPAL BANKERS

Malayan Banking Berhad
Industrial & Commercial Bank of China Ltd.
Agricultural Bank of China
United Overseas Bank (China) Limited

SUBSIDIARIES

V.S. International Industry Limited

V.S. Holding Vietnam Limited

Energy Ally Global Limited

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

V.S. Investment Holdings Limited

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

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

VSA Holding Hong Kong Co., Limited

V.S. Industry Holding Limited

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

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

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

VSA Electronics Technology (Zhuhai) Co., Ltd.

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

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

Zhuhai Deyuan Energy Conservation Technology Company Limited

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

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
Shandong 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 2018, which has been reviewed by the audit committee (“Audit Committee”) of the Board.

Condensed Consolidated Income Statement

For the six months ended 31 January 2018

		Unaudited	
		Six months ended 31 January	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	4	659,701	667,012
Cost of sales		(572,321)	(551,346)
Gross profit		87,380	115,666
Other income – net		3,884	2,822
Other gains/(losses) – net	5	3,999	(4,454)
Distribution costs		(25,743)	(36,122)
General and administrative expenses		(51,744)	(46,556)
Operating profit		17,776	31,356
Finance costs-net	7(a)	(6,077)	(6,363)
Share of loss of an associate		(4,555)	(1,955)
Profit before income tax	7	7,144	23,038
Income tax expense	8(a)	(2,028)	(7,520)
Profit for the period attributable to owners of the Company		5,116	15,518
Earnings per share attributable to owners of the Company during the period (Renminbi cents)			(Restated)
Basic	9(a)	0.23	0.82
Diluted	9(b)	0.23	0.81

The notes on pages 11 to 45 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2018

	Unaudited	
	Six months ended 31 January	
	2018	2017
	RMB'000	RMB'000
Profit for the period	5,116	15,518
Other comprehensive income for the period	-	-
Total comprehensive income for the period attributable to owners of the Company	5,116	15,518

The notes on pages 11 to 45 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 January 2018

		Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	11	473,465	497,318
Land use rights	11	16,893	18,069
Interest in an associate		12,719	17,274
Available-for-sale investment	12	8,198	–
Prepayments and deposits	13	18,165	11,420
Deferred income tax assets	8(b)	378	1,704
		529,818	545,785
Current assets			
Inventories	14	129,562	132,762
Trade and other receivables	13	251,734	255,991
Amounts due from related parties	23(b)	15,206	13,843
Bank deposits	15	49,636	70,670
Cash and cash equivalents	16	102,976	50,160
		549,114	523,426
Total assets		1,078,932	1,069,211
EQUITY			
Capital and reserves			
Share capital	17	105,013	85,311
Share premium		306,364	236,590
Reserves		110,707	104,306
Total equity attributable to owners of the Company		522,084	426,207
LIABILITIES			
Non-current liabilities			
Borrowings	18	24,293	46,164
Finance lease liabilities	20	7,671	2,813
Deferred income tax liabilities	8(b)	1,239	932
		33,203	49,909

Condensed Consolidated Statement of Financial Position

At 31 January 2018

		Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Current liabilities			
Trade and other payables	19	378,892	337,395
Amounts due to related parties	23(c)	2,840	1,753
Borrowings	18	131,310	243,927
Finance lease liabilities	20	5,653	1,683
Tax payable		4,950	8,337
		523,645	593,095
Total liabilities		556,848	643,004
Total equity and liabilities		1,078,932	1,069,211

The notes on pages 11 to 45 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2018

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserve fund RMB'000	Employee share based capital reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 August 2016	84,996	234,180	11,752	64,799	7,098	(2,933)	399,892
Comprehensive income							
Profit for the period	-	-	-	-	-	15,518	15,518
Total comprehensive income for the period	-	-	-	-	-	15,518	15,518
Issuance of shares upon exercising of share options	150	1,139	-	-	(367)	-	922
Share options granted to employees lapsed	-	-	-	-	(211)	211	-
Appropriation	-	-	-	2,288	-	(2,288)	-
Fair value of employee services under the share options scheme	-	-	-	-	3,082	-	3,082
At 31 January 2017	85,146	235,319	11,752	67,087	9,602	10,508	419,414
At 1 August 2017	85,311	236,590	11,752	67,087	10,863	14,604	426,207
Comprehensive income							
Profit for the period	-	-	-	-	-	5,116	5,116
Total comprehensive income for the period	-	-	-	-	-	5,116	5,116
Issuance of shares upon exercising of share options	331	2,608	-	-	(886)	-	2,053
Issuance of shares from rights issue	19,371	67,166	-	-	-	-	86,537
Share options granted to employees lapsed	-	-	-	-	(22)	22	-
Transfer upon disposal of a subsidiary	-	-	-	(9,170)	-	9,170	-
Appropriation	-	-	-	1,081	-	(1,081)	-
Fair value of employee services under the share options scheme	-	-	-	-	2,171	-	2,171
At 31 January 2018	105,013	306,364	11,752	58,998	12,126	27,831	522,084

The notes on pages 11 to 45 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2018

	Note	Unaudited	
		Six months ended 31 January	
		2018	2017
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		61,857	86,663
Income tax paid		(3,889)	(6,245)
Net cash generated from operating activities		57,968	80,418
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(62,049)	(63,486)
Proceeds from disposal of property, plant and equipment		1,389	7,246
Net proceeds on disposal of a subsidiary		64,363	–
Increase in bank deposits		–	(9,020)
Interest received		445	253
Net cash generated from/(used in) investing activities		4,148	(65,007)
Cash flows from financing activities			
Repayment of bank loans		(24,497)	(16,089)
Net (decrease)/increase in trust receipt loans		(59,333)	90,789
Proceeds from shares issued under the share option scheme		2,053	922
Net proceeds from rights issue	17	86,537	–
Decrease/(increase) in bank deposits		21,034	(97,387)
Payment of finance lease liabilities		(7,914)	–
Borrowing costs paid		(6,522)	(6,616)
Net cash generated from/(used in) financing activities		11,358	(28,381)
Net increase/(decrease) in cash and cash equivalents		73,474	(12,970)
Cash and cash equivalents at 1 August		29,502	28,062
Cash and cash equivalents at 31 January	16	102,976	15,092

The notes on pages 11 to 45 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

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

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 31 January 2018 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 24 March 2018.

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 2018 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 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) 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 2017.

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 2017, except as mentioned below.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 August 2017:

Standards	Subject of amendment
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Annual Improvements 2014-2016 Cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(b) New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the Group's accounting periods beginning on or after 1 August 2017 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 August 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 August 2018
HKFRS 9 (Note (i))	Financial Instruments	1 August 2018
HKFRS 15 (Note (ii))	Revenue from Contracts with Customers	1 August 2018
Amendments to HKFRS 15 (Note (ii))	Clarifications to HKFRS 15	1 August 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 August 2018
Amendments to HKAS 40	Transfers of Investment Property	1 August 2018
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle	1 August 2018

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standards, amendments to existing standards and interpretations not yet adopted (Continued)

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 August 2019
HKFRS 16 (Note (iii))	Leases	1 August 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 August 2019
HKFRS17	Insurance Contracts	1 August 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

(i) HKFRS 9, "Financial instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 August 2018:

The Group's equity instrument is currently classified as available-for-sale for which a fair value through other comprehensive income ("FVOCI") election is available.

The Group does not expect the new guidance to affect the classification and measurement of this financial asset. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standards, amendments to existing standards and interpretations not yet adopted (Continued)

(i) HKFRS 9, “Financial Instruments” (Continued)

Impact (Continued)

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39, “Financial Instruments: Recognition and Measurement” and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging, it does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15, “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 must be applied for financial years commencing on or after 1 August 2018. The Group will apply the new rules retrospectively from 1 August 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standards, amendments to existing standards and interpretations not yet adopted (Continued)

(ii) HKFRS 15, “Revenue from contracts with customers”

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The management of the Company (“Management”) is currently in the process of evaluating the full impact of HKFRS15 on the Group’s condensed consolidated financial statements. Management will make detailed assessments of the impact over the next twelve months.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 August 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 August 2018 and that comparatives will not be restated.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standards, amendments to existing standards and interpretations not yet adopted (Continued)

(iii) HKFRS 16, “Leases”

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB4,217,000 (Note 22) which are those related to payments for short-term and low value lease and will be recognised on straight-line basis as an expense in profit or loss.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group’s profit or loss and classification of cash flows going forward.

Date of adoption by the Group

The adoption of this standard is mandatory for financial years commencing on or after 1 August 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Condensed Consolidated Interim Financial Information

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 July 2017.

There have been no changes in the risk management policies since 31 July 2017.

3.2 Liquidity risk

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

3.3 Fair value estimation

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

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

Notes to the Condensed Consolidated Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 January 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 January 2018				
Available-for-sale investment				
Unlisted equity investment	-	-	8,198	8,198

There were no transfer of financial asset in the fair value hierarchy classifications for the period ended 31 January 2018. As at 31 July 2017, the Group does not have financial assets or financial liabilities that are measured at fair value.

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, available-for-sale investment, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, accruals and bills payables attributable to the individual segments.

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Six months ended 31 January:								
Revenue from external customers	269,664	287,963	350,269	343,796	39,768	35,253	659,701	667,012
Reportable segment result	17,996	33,458	25,412	29,640	3,111	8,036	46,519	71,134
Additions to non-current segment assets during the period	31,439	16,816	18,991	9,543	3,693	2,161	54,123	28,520
At 31 January/31 July:								
Reportable segment assets	433,399	559,801	263,366	165,098	55,719	72,557	752,484	797,456
Reportable segment liabilities	125,888	173,298	208,521	120,601	11,401	11,419	345,810	305,318

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	
	2018	2017
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	659,701	667,012
Consolidated revenue	659,701	667,012
Segment result		
Reportable segment profit	46,519	71,134
Share of loss of an associate	(4,555)	(1,955)
Finance costs – net (Note 7(a))	(6,077)	(6,363)
Unallocated depreciation and amortisation	(3,936)	(3,353)
Unallocated operating income and expenses	(24,807)	(36,425)
Profit before income tax	7,144	23,038

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Assets		
Reportable segment assets	752,484	797,456
Interest in an associate	12,719	17,274
Available-for-sale investment	8,198	–
Deferred income tax assets	378	1,704
Unallocated head office and corporate assets	305,153	252,777
Consolidated total assets	1,078,932	1,069,211
Liabilities		
Reportable segment liabilities	345,810	305,318
Deferred income tax liabilities	1,239	932
Unallocated head office and corporate liabilities	209,799	336,754
Consolidated total liabilities	556,848	643,004

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	
	2018	2017
	RMB'000	RMB'000
Mainland China	490,133	474,009
Europe	79,260	86,793
United States of America	71,137	92,554
South East Asia	11,409	2,432
Hong Kong	7,759	10,596
Others	3	628
	659,701	667,012

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

The Group's customer base is diversified but includes two (2017: four) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the six months ended 31 January 2018.

Those customers individually contributed 27% and 12% of the Group's revenue (2017: 36%, 14%, 12% and 10%), respectively.

Notes to the Condensed Consolidated Interim Financial Information

5 OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 31 January	
	2018	2017
	RMB'000	RMB'000
Net foreign exchange gain/(loss)	3,308	(3,826)
Loss on disposal of property, plant and equipment	(694)	(628)
Gain on disposal of a subsidiary (note 6)	1,385	–
	3,999	(4,454)

6 GAIN ON DISPOSAL OF A SUBSIDIARY

During the six months ended 31 January 2018, the Group disposed of its 90% equity interest in Qingdao GS Electronics Plastic Co., Ltd. (“Qingdao GS”) at a consideration of RMB73,779,000. Qingdao GS is principally engaged in the provision of manufacturing and selling of plastic molded products and parts in the PRC. As a result of the disposal, a gain of approximately RMB1,385,000 has been recognised in the condensed consolidated income statement. The effect of the disposal is summarised as follows:

	RMB'000
Sales proceeds	73,779
Fair value of 10% equity interest retained	8,198
	81,977
Less:	
Net assets disposed of (note (a))	(79,512)
Tax on disposal gain	(1,041)
Expenses attributable to the disposal	(39)
Net gain on disposal	1,385

Notes to the Condensed Consolidated Interim Financial Information

6 GAIN ON DISPOSAL OF A SUBSIDIARY (CONTINUED)

Note (a) Reconciliation of net assets disposed of is as follows:

	RMB'000
Property, plant and equipment	62,977
Land use rights	925
Deferred tax assets	107
Inventories	32,528
Trade and other receivables	44,638
Cash and cash equivalents	8,336
Bank borrowings	(30,000)
Trade payables, other payables and accruals	(39,999)
	<hr/>
Net assets disposed of	<u>79,512</u>

Note (b) Net proceeds on disposal of a subsidiary is as follows:

Total consideration received by cash	73,779
Less:	
Tax on disposal gain	(1,041)
Expenses attributable to the disposal	(39)
	<hr/>
	72,699
Cash and cash equivalents disposed of	(8,336)
	<hr/>
Net proceeds on disposal of a subsidiary	<u>64,363</u>

Notes to the Condensed Consolidated Interim Financial Information

7 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	
	2018	2017
	RMB'000	RMB'000
Interest income from bank deposits	(445)	(253)
Interest on bank borrowings repayable within five years	6,214	5,813
Less: borrowing costs capitalised as construction-in-progress	(789)	(215)
Other finance charges	1,097	1,018
	6,522	6,616
Finance costs – net	6,077	6,363

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2018	2017
	RMB'000	RMB'000
Cost of sales	572,321	551,346
Amortisation of land use rights	251	253
Depreciation of property, plant and equipment	26,197	26,808
Operating lease charges in respect of properties – factory and hostel rentals	4,345	4,317
(Write-back of provision)/provision for impairment of trade receivables	(422)	588

Notes to the Condensed Consolidated Interim Financial Information

8 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2018	2017
	RMB'000	RMB'000
Current income tax		
PRC corporate income tax	39	5,983
Deferred income tax		
Origination and reversal of temporary differences	1,989	1,537
	2,028	7,520

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 2018 and 2017.

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.

Notes to the Condensed Consolidated Interim Financial Information

8 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	
	2018	2017
	RMB'000	RMB'000
At beginning of the period	(932)	(567)
Payment of withholding tax	356	257
Charged to the income statement	(663)	(221)
At end of the period	(1,239)	(531)

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2018	2017
	RMB'000	RMB'000
At beginning of the period	1,704	2,221
Charged to the income statement	(1,326)	(1,316)
At end of the period	378	905

Notes to the Condensed Consolidated Interim Financial Information

9 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 RMB5,116,000 (2017: RMB15,518,000) 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	
	2018	2017
Earnings attributable to owners of the Company (RMB'000)	5,116	15,518
Weighted average number of ordinary shares in issue ('000)	2,199,493	(Restated) 1,896,824
Basic earnings per share (RMB cents)	0.23	0.82

(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	
	2018	2017
Earnings attributable to owners of the Company (RMB'000)	5,116	15,518
Weighted average number of ordinary shares in issue ('000)	2,199,493	(Restated) 1,896,824
Adjustment for share options ('000)	3,095	11,435
Weighted average number of ordinary shares for diluted earnings per share ('000)	2,202,588	1,908,259
Diluted earnings per share (RMB cents)	0.23	0.81

Notes to the Condensed Consolidated Interim Financial Information

9 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (Continued)

Note:

The comparative period for basic and diluted earnings per share were adjusted with the effect of bonus element of the rights issue which was completed on 12 September 2017.

10 DIVIDENDS

(a) 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 2018 and 2017.

(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the interim period

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

Notes to the Condensed Consolidated Interim Financial Information

11 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment RMB'000	Land use rights RMB'000
Cost		
At 31 July and 1 August 2016	1,172,132	25,471
Additions	56,574	–
Disposals	(14,288)	–
At 31 January 2017	1,214,418	25,471
Accumulated depreciation and amortisation		
At 31 July and 1 August 2016	717,032	6,895
Charge for the period	26,808	253
Written back on disposals	(6,414)	–
At 31 January 2017	737,426	7,148
Net book value		
At 31 January 2017 (Unaudited)	476,992	18,323
At 31 July 2016 (Audited)	455,100	18,576
Cost		
At 31 July and 1 August 2017	1,252,988	25,471
Additions	67,404	–
Disposals	(9,595)	–
Disposal of a subsidiary (Note 6)	(140,056)	(1,421)
At 31 January 2018	1,170,741	24,050
Accumulated depreciation and amortisation		
At 31 July and 1 August 2017	755,670	7,402
Charge for the period	26,197	251
Written back on disposals	(7,512)	–
Written back on disposal of a subsidiary (Note 6)	(77,079)	(496)
At 31 January 2018	697,276	7,157
Net book value		
At 31 January 2018 (Unaudited)	473,465	16,893
At 31 July 2017 (Audited)	497,318	18,069

Notes to the Condensed Consolidated Interim Financial Information

11 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS (CONTINUED)

As at 31 January 2018 and 31 July 2017, certain land use rights, property, plant and equipment have been pledged as security for its trade finances, overdraft and bank loans (note 18).

12 AVAILABLE-FOR-SALE INVESTMENT

Movements of the carrying amount of available-for-sale investment during the year are as follows:

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
At beginning of the period	–	–
Addition – Unlisted equity investment in the PRC (Note (a))	8,198	–
At end of the period	8,198	–

(a) The balance represented fair value of the Group's 10% equity interest in Qingdao GS and dominated in RMB (note 6).

(b) Valuation of available-for-sale investment

The fair value of the unlisted equity investment that is not traded in an active market is determined by an independent qualified valuer, Asset Appraisal Limited.

The valuation of available-for-sale investment determined using discounted cash flow projections and are within level 3 of fair value hierarchy. The most significant unobservable input is the rate of return on the investment. The lower the rate of return, the higher the fair value of the available-for-sale investment.

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE AND OTHER RECEIVABLES

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Trade receivables	188,546	154,173
Bills receivable	12,915	64,914
Trade and bills receivables – gross	201,461	219,087
Less: Provision for impairment	(769)	(1,645)
Trade and bills receivables-net	200,692	217,442
Other receivables, prepayments and deposits	103,207	83,969
Less: Provision for impairment (note)	(34,000)	(34,000)
Other receivables, prepayments and deposits – net	69,207	49,969
Less: Prepayments and deposits (non-current)	(18,165)	(11,420)
Total trade and other receivables (current)	251,734	255,991

Note:

Included in “other receivables, prepayments and deposits” were deposits of RMB34,000,000 (“Deposits”) in relation to a conditional acquisition agreement (as supplemented) (“Agreement”) entered into with a third party vendor (“Vendor”) on 5 February 2015 to acquire from the Vendor 20% equity interest of a company involved in a solar energy project in Inner Mongolia, the PRC for a consideration of RMB44,000,000 subject to fulfilment of certain conditions set out therein. In addition, under the Agreement, upon completion of the acquisition of the 20% equity interest, the Group would be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the target company at its sole discretion. On 1 November 2015, the Agreement lapsed as certain conditions as set out in the Agreement had not been fulfilled. The Group has been in discussions with the Vendor regarding the full refund of Deposits of RMB34,000,000. On 31 August 2016, a settlement agreement (“Settlement Agreement”) was entered into between the Group and the Vendor, pursuant to which the Vendor shall repay the Deposits and the interest thereon at 5% per annum by 30 November 2016. As at 31 January 2018 and 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 in the year ended 31 July 2016. The Group is under a legal proceeding against the Vendor regarding the full refund of Deposits and relevant interests.

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Neither past due nor impaired	186,318	207,956
Past due for:		
Less than 1 month	10,555	5,419
1 to 3 months	3,408	2,559
More than 3 months	1,180	3,153
	15,143	11,131
	201,461	219,087

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

The Group does not hold any collaterals from customers.

14 INVENTORIES

Inventories comprise:

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Raw materials	54,098	46,632
Work-in-progress	32,677	25,157
Finished goods	42,787	60,973
	129,562	132,762

Notes to the Condensed Consolidated Interim Financial Information

15 BANK DEPOSITS

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Pledged deposits with banks (note)	49,636	70,670

Note:

The deposits are pledged to banks as security for certain banking facilities, including trade finances, overdrafts and bank loans (note 18).

16 CASH AND CASH EQUIVALENTS

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Cash and cash equivalents	102,976	50,160
Bank overdrafts (note 18)	-	(20,658)
Cash and cash equivalents in the condensed consolidated statement of cash flows	102,976	29,502

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE CAPITAL

Authorised and issued share capital

	Unaudited At 31 January 2018		Audited At 31 July 2017	
	Number of shares '000	Amount '000	Number of shares '000	Amount '000
Authorised:				
Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid: (RMB'000)				
At 1 August	1,839,780	85,311	1,832,546	84,996
Issuance of shares from rights issue (note)	459,945	19,371	–	–
Issuance of shares upon exercising of share option	7,788	331	7,234	315
At 31 January/31 July	2,307,513	105,013	1,839,780	85,311

Note:

On 12 September 2017, the Group has successfully raised net proceeds of approximately RMB86,537,000 from a rights issue at a subscription price of HK\$0.230 per rights share on basis of one rights share for every four existing shares.

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

Notes to the Condensed Consolidated Interim Financial Information

18 BORROWINGS

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Current		
Short-term bank borrowings, secured	–	30,000
Short-term bank borrowings, unsecured	13,898	13,898
Bank overdrafts, secured	–	20,658
Trust receipts bank loans, secured	79,677	139,010
Portion of bank borrowings repayable within one year, secured	37,735	40,361
	131,310	243,927
Non-current		
Bank borrowings repayable after one year but within two years, secured	24,293	39,437
Bank borrowings repayable after two years but within five years, secured	–	6,727
	24,293	46,164
Total borrowings	155,603	290,091

Notes to the Condensed Consolidated Interim Financial Information

18 BORROWINGS (CONTINUED)

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Bank deposits	49,636	70,670
Buildings	154,294	182,806
Plant and machinery	21,333	24,678
Land use rights	13,953	15,092
	239,216	293,246

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling RMB277,119,000 (31 July 2017: RMB335,682,000), were utilised to the extent of RMB141,705,000 at 31 January 2018 (31 July 2017: RMB276,193,000). The Group's banking facilities also included certain unsecured banking facilities, totally RMB50,000,000 (31 July 2017: RMB50,000,000), which were utilised to the extent of RMB13,898,000 at 31 January 2018 (31 July 2017: RMB13,898,000).

19 TRADE AND OTHER PAYABLES

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Trade payables	276,163	224,760
Payables for the purchase of property, plant and equipment	13,679	18,321
Accrued expenses and other payables	66,687	53,091
Receipts in advance	22,363	41,223
Trade and other payables	378,892	337,395

Notes to the Condensed Consolidated Interim Financial Information

19 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Less than 1 month	97,135	58,250
1 to 3 months	152,814	103,784
More than 3 months	26,214	62,726
	276,163	224,760

20 FINANCE LEASE LIABILITIES

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group:

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	7,134	2,122
Later than 1 year and no later than 5 years	8,359	3,069
	15,493	5,191
Future finance charges on finance leases	(2,169)	(695)
Present value of finance lease liabilities	13,324	4,496
The present value of finance lease liabilities is as follows:		
No later than 1 year	5,653	1,683
Later than 1 year and no later than 5 year	7,671	2,813
	13,324	4,496

Notes to the Condensed Consolidated Interim Financial Information

21 SHARE OPTION SCHEME

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

Pursuant to the resolution passed by directors at a meeting of the board on 16 December 2013, the board approved the grant of 110,100,000 share options under the rules of the share option scheme at an exercise price of HK\$0.308 per share. The options’ fair value of HK\$12,654,000 (equivalent to RMB10,137,000) was measured at grant date using the binomial option pricing model. All the share options were either exercised or lapsed during the year ended 31 July 2017. There was no outstanding balance in respect of the above share options granted as at 31 July 2017.

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

21 SHARE OPTION SCHEME (CONTINUED)

Pursuant to the resolution in writing signed by directors on 12 January 2017, 176,320,000 share options ("New Share Options") were granted under the rules of the share option scheme at an exercise price of HK\$0.320 per share. The option's fair value of HK\$17,003,000 (equivalent to RMB15,226,000) was measured at grant date using the binomial option pricing model. For the period ended 31 January 2018, an amount of RMB2,171,000 (period ended 31 January 2017: RMB3,082,000) was recognised as employee costs with a corresponding increase in capital reserve within equity.

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

21 SHARE OPTION SCHEME (CONTINUED)

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

	Exercise price HK\$	Number of options '000
At 1 August 2017	0.320	176,020
Adjusted during the period (note)	0.310	5,955
Exercised during the period	0.310	(7,788)
Lapsed during the period	0.310	(1,002)
At 31 January 2018	0.310	<u>173,185</u>
Exercisable at the end of the period	0.310	<u>82,848</u>

Note:

After the completion of rights issue on 12 September 2017 (note 17), adjustments were made to the total number of share options which were from 176,020,000 to 181,975,564 and the exercise price was adjusted from HK\$0.320 per share to HK\$0.310 per share.

(c) Fair value of options and assumptions

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

Notes to the Condensed Consolidated Interim Financial Information

22 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2018 and 31 July 2017 are as follows:

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Authorised and contracted for	2,085	8,635

(b) Operating lease commitments

The Group as lessee

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Within one year	4,217	4,288

The Group as lessor

As at 31 January 2018 and 31 July 2017, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Within one year	488	222

Notes to the Condensed Consolidated Interim Financial Information

23 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 2018, the Group entered into the following significant related party transactions:

	Unaudited	
	Six months ended 31 January	
	2018	2017
	RMB'000	RMB'000
Sales to an associate	3,983	1,338
Operating lease charges paid and payable to a company controlled by a director	3,829	3,704
Purchase fabricated moulds and certain moulded productions and parts from a company controlled by a family member of a director	1,126	762
Management fee paid and payable to a company controlled by a director	249	253
Sub-contracting fee paid and payable to a company controlled by a family member of a director	3,919	3,818
Repair and maintenance services paid and payable to a company controlled by a family member of a director	541	795

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

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Amount due from a company controlled by a director	1,877	2,687
Amount due from an associate (note)	13,329	11,156
	15,206	13,843

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

Note:

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Neither past due nor impaired	944	3,468
Past due for:		
Less than 1 month	2,606	1,866
1 to 3 months	3,243	1,386
More than 3 months	6,536	4,436
	12,385	7,688
	13,329	11,156

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

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited At 31 January 2018 RMB'000	Audited At 31 July 2017 RMB'000
Amounts due to directors	198	202
Amount due to the ultimate holding company	11	8
Amounts due to companies controlled by the family member of a director	2,631	1,543
	2,840	1,753

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

Management Discussion and Analysis of Results of Operations

OVERVIEW

During the period, the Group continued to focus on higher value-added products and selling of its own original design manufacturer product.

FINANCIAL REVIEW

The Group recorded a revenue of RMB659.70 million, representing a slight decrease of RMB7.31 million or 1.10% as compared to RMB667.01 million for the corresponding period in 2017. Gross profit for the period decreased from RMB115.67 million for the corresponding period in 2017 to RMB87.38 million. The gross profit margin dropped from 17.34% to 13.25%.

The Group's operating expenses, composed of distribution costs and general and administrative expenses, decreased from RMB82.68 million to RMB77.48 million, a decrease of RMB5.20 million over the corresponding period in 2017. The Group recorded a profit of RMB5.12 million as compared to RMB15.52 million in the corresponding period ended 31 January 2017 representing a decrease of RMB10.40 million or 67.01%.

Plastic injection and moulding business

The Group recorded a revenue of RMB269.66 million for this segment as compared to RMB287.96 million for the corresponding period in 2017, representing a decrease of RMB18.30 million or 6.36%. The decrease was mainly due to the deconsolidation of financial results of Qingdao GS in January 2018 upon the disposal of 90% equity interest in Qingdao GS.

Assembling of electronic products business

This segment recorded a revenue of RMB350.27 million, representing a slight increase of RMB6.47 million or 1.88% from RMB343.80 million for the corresponding period in 2017.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB39.77 million, representing an increase of RMB4.52 million or 12.82% as compared to RMB35.25 million for the corresponding period in 2017.

Distribution costs

Distribution costs amounted to RMB25.74 million, representing a decrease of RMB10.38 million or 28.74% as compared to RMB36.12 million in the corresponding period ended 31 January 2017. The decrease in distribution costs was mainly due to the decrease in carriage outward.

Management Discussion and Analysis of Results of Operations

General and administrative expenses

General and administrative expenses amounted to RMB51.74 million, representing an increase of RMB5.18 million or 11.13% as compared to RMB46.56 million for the corresponding period in 2017. The increase was primarily due to research and development expenses of RMB4.90 million during the period.

Other gains/(losses) – net

During the period, the Group recorded other net gains of RMB4.00 million as compared to net losses of RMB4.45 million for the corresponding period in 2017, which comprised mainly net gains on disposal of a subsidiary of RMB1.39 million and net foreign exchange gains of RMB3.31 million.

Finance costs – net

The net finance costs for the period decreased by 4.40% or RMB0.28 million from RMB6.36 million for the corresponding period in 2017 to RMB6.08 million. The decrease was 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 RMB4.56 million (2017: RMB1.96 million) was solely attributed to loss incurred by its associate in Vietnam.

Major movement

On 12 September 2017, the Company issued and allotted 459,945,072 ordinary shares of HK\$0.05 each ("Rights Shares"), and has successfully raised cash proceeds of approximately RMB89.12 million (equivalent to approximately HK\$105.80 million) from a rights issue ("Rights Issue") at a subscription price of HK\$0.230 per Rights Share on basis of one Rights Share for every four existing shares for the expansion of the Group's operations in Zhuhai. The subscription price of HK\$0.230 represented a discount of 17.86% to the closing price of HK\$0.280 per share of the Company as quoted on the Stock Exchange on 19 July 2017, being the date of the announcement of the Company in respect of the Rights Issue. The net proceeds raised from the Rights Issue were approximately RMB86.60 million (equivalent to approximately HK\$102.80 million), which are intended to be used for the purpose of (i) the repayment of short term bank borrowing; (ii) funding of the purchase of equipment and machineries; and (iii) as general working capital. As at the date of this interim report, all the net proceeds have been used as intended. The aggregate nominal value of the Rights Shares issued under the Rights Issue was approximately HK\$23.00 million and the net price was approximately HK\$0.223 per Rights Share. Please refer to the announcements of the Company dated 19 July 2017 and 11 September 2017, and the prospectus of the Company dated 21 August 2017 for details.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2018 (2017: nil).

Future Prospects

With the robust economic growth and growing consumerism in China, the living standard has been improved which leads to growing health awareness among Chinese population. This becomes a key driver of consumption growth of health care appliances. The revenue of the assembling of electronic products business segment, which includes assembling of healthcare related products, will remain a major portion to the Group. The Group will continue to explore the business opportunity in other home appliance and involve in supply chain activities in industry supported by government.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group financed its operations and investing activities mainly by means of internally generated operating cash flow, bank borrowings and finance lease liabilities. As at 31 January 2018, the Group had cash and bank deposits of RMB152.61 million (31 July 2017: RMB120.83 million), of which RMB49.64 million (31 July 2017: RMB70.67 million) was pledged to banks for the facilities granted to the Group. 15.25%, 83.11% and 1.64% of cash and bank deposits are denominated in United States dollars (“USD”), RMB and Hong Kong dollars (“HK\$”), respectively.

As at 31 January 2018, the Group had outstanding interest-bearing borrowings including finance lease liabilities of RMB168.93 million (31 July 2017: RMB294.58 million). The total borrowings including finance lease liabilities were denominated in USD (59.20%) and RMB (40.80%), and the maturity profile is as follows:

Repayable	As at 31 January 2018		As at 31 July 2017	
	RMB million (Unaudited)	%	RMB million (Audited)	%
Within one year	136.96	81.08	245.61	83.38
After one year but within two years	30.62	18.12	41.36	14.04
After two years but within five years	1.35	0.80	7.61	2.58
Total borrowings including finance lease liabilities	168.93	100.00	294.58	100.00
Cash and bank deposits	(152.61)		(120.83)	
Net borrowings including finance lease liabilities	16.32		173.75	

As at 31 January 2018, the Group’s net current assets were RMB25.47 million (31 July 2017: net current liabilities of RMB69.67 million). As at 31 January 2018, the Group has undrawn bank facilities of RMB171.52 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 net borrowings including finance lease liabilities 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 2018 was 1.51% (31 July 2017: 16.25%).

Other Information

CHARGES ON GROUP ASSETS

As at 31 January 2018, certain assets of the Group with an aggregate carrying value of RMB239.22 million (31 July 2017: RMB293.25 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 disposed of its 90% equity interest in Qingdao GS to two independent third parties at a consideration of RMB73.78 million. Qingdao GS is principally engaged in the provision of manufacturing and selling of plastic molded products and parts in the PRC. Qingdao GS ceased to be a subsidiary of the Company upon completion of the disposal. Please refer to the announcement of the Company dated 10 November 2017 for more details.

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

CONTINGENT LIABILITIES

The Group does not have any material contingent liabilities as at 31 January 2018.

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 gains of RMB3.31 million (2017: net losses of RMB3.83 million) mainly due to the unrealised and realised foreign exchange gain.

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 2018, the Group had a total of 3,150 employees (31 July 2017: 2,894). 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 RMB119.39 million (2017: RMB107.25 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 of the Group to promote the Group's success.

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

During the 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

Saved as disclosed in this interim report, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 31 January 2018 requiring disclosure in this interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2018 and is of the opinion that such statements comply with the applicable accounting standards, the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

Other Information

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

As at 31 January 2018, 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	163,960,050 Shares (L) (Notes 3 and 6)	7.11%
	V.S. Corporation (Hong Kong) Co., Limited ("VSHK")	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	V.S. Investment Holdings Limited ("VS Investment")	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
	V.S. Industry Berhad ("VS Berhad")	Beneficial owner	107,510,795 ordinary shares (L) (Note 7)	8.24%
Gan Sem Yam	The Company	Beneficial owner	60,178,913 Shares (L) (Notes 3 and 6)	2.61%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
	VS Berhad	Beneficial owner	73,542,752 ordinary shares (L) (Note 8)	5.63%

Other Information

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Gan Chu Cheng	The Company	Beneficial owner	45,843,398 Shares (L) (Notes 3 and 6)	1.99%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Investment	Beneficial owner	5 ordinary shares of HK\$1 each (L)	Nominal
	VS Berhad	Beneficial owner	98,770,875 ordinary shares (L) (Note 9)	7.57%
Zhang Pei Yu	The Company	Beneficial owner	15,509,518 Shares (L) (Notes 3 and 6)	0.67%
Beh Chern Wei	The Company	Beneficial owner	42,507,518 Shares (L) (Notes 3 and 6)	1.84%
	VS Berhad	Beneficial owner	17,000,000 ordinary shares (L) (Note 10)	1.30%
Gan Tiong Sia	The Company	Beneficial owner	24,989,510 Shares (L) (Notes 4 and 6)	1.08%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Berhad	Beneficial owner	25,098,430 ordinary shares (L) (Note 11)	1.92%

Other Information

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

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Diong Tai Pew	The Company	Beneficial owner	3,329,569 Shares (L) (Notes 5 and 6)	0.14%
Tang Sim Cheow	The Company	Beneficial owner	2,202,288 Shares (L) (Notes 5 and 6)	0.10%
	VS Berhad	Beneficial owner	200,000 ordinary shares (L) (Note 12)	0.02%
Fu Xiao Nan	The Company	Beneficial owner	1,563,158 Shares (L) (Notes 5 and 6)	0.07%

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Mr. Gan Sem Yam and Mr. 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. 15,507,518 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, Mr. Gan Sem Yam, Madam Gan Chu Cheng, Mr. Zhang Pei Yu and Mr. Beh Chern Wei, respectively by the Company under its share option scheme, details of which are set out in note 6 below, as at 31 January 2018.
4. 7,774,436 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 6 below, as at 31 January 2018.
5. 1,563,158 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, Mr. Tang Sim Cheow and Ms. Fu Xiao Nan, respectively by the Company under its share option scheme, details of which are set out in note 6 below, as at 31 January 2018.

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

Notes: (Continued)

6. On 12 January 2017, 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 2018, are exercisable at a price of HK\$0.310 per Share during the exercise periods. Details of these share options are disclosed in the paragraph headed "Share Option Scheme" on pages 57 to 59 of this interim Report.
7. 2,550,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.
8. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 62 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
9. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 175 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
10. 400,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015. 200,000 of these shares would be allotted and issued upon exercise in full the warrants granted by VS Berhad at an initial exercise price of RM1.65 per share (subject to adjustments) during a period of 3 years from 7 January 2016.
11. 1,700,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.
12. All of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price of RM0.70 per share during a period of 5 years from 12 May 2015.

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.

Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 31 January 2018 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 23 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 2018, the following entity, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of Shares (Note 1)	Nature of interest/capacity	Approximate percentage of Interest
VS Berhad	1,000,109,963 (L)	Beneficial owner	43.34%

Note:

1. 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 2018:

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 2017	Exercised during the period	Granted during the period	Adjusted during the period (Note 3)	Lapsed/cancelled during the period	Outstanding at 31 January 2018
Directors										
Beh Kim Ling	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
Gan Sem Yam	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
Gan Chu Cheng	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
Zhang Pei Yu	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
Beh Chern Wei	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,500,000	-	-	253,759	-	7,753,759

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 2017	Exercised during the period	Granted during the period	Adjusted during the period (Note 3)	Lapsed/cancelled during the period	Outstanding at 31 January 2018
Gan Tiong Sia	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	3,760,000	-	-	127,218	-	3,887,218
		1 March 2018 to 28 February 2019	0.310	N/A	3,760,000	-	-	127,218	-	3,887,218
Diong Tai Pew	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	756,000	-	-	25,579	-	781,579
		1 March 2018 to 28 February 2019	0.310	N/A	756,000	-	-	25,579	-	781,579
Tang Sim Cheow	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	756,000	-	-	25,579	-	781,579
		1 March 2018 to 28 February 2019	0.310	N/A	756,000	-	-	25,579	-	781,579
Fu Xiao Nan	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	756,000	-	-	25,579	-	781,579
		1 March 2018 to 28 February 2019	0.310	N/A	756,000	-	-	25,579	-	781,579
					87,056,000	-	-	2,945,500	-	90,001,500
Other employees (Note 2)	12 January 2017	1 March 2017 to 28 February 2019	0.310	0.369	44,332,000	7,788,000	-	1,499,957	196,239	37,847,718
		1 March 2018 to 28 February 2019	0.310	N/A	44,632,000	-	-	1,510,107	806,389	45,335,718
					88,964,000	7,788,000	-	3,010,064	1,002,628	83,183,436
					176,020,000	7,788,000	-	5,955,564	1,002,628	173,184,936

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The closing price of the Shares as stated on the Stock Exchange's daily quotation sheets on 12 January 2017, being the date of the grant of share options during the period, was HK\$0.320. The closing price of the Shares on 11 January 2017 (the trading day immediately before the date on which the options were granted) was HK\$0.320. The exercise price of share options was being adjusted to HK\$0.310 pursuant to Rights Issue.
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. The number of share options was adjusted as a result of the Rights Issue with an addition of 5,955,564 new share options.

For details of the Share Option Scheme, please refer to note 21 to the interim financial information of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Other Information

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2018.

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

Macau, the PRC
24 March 2018