



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
2018/19





Table of Contents

	<i>Page</i>
Corporate Information	2
Introduction	4
Condensed Consolidated Income Statement	5
Condensed Consolidated Statement of Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Interim Financial Information	11
Management Discussion and Analysis of Results of Operations	50
Future Prospects	52
Other Information	53

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
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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
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Hopewell Centre
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Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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Central, Hong Kong

Corporate Information

PRINCIPAL BANKERS

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

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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

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Haivs Industry (Qingdao) Co., Ltd.

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Qingdao GP Precision Mold Co., Ltd.

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Chengyang District
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ASSOCIATED COMPANY

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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 2019, which has been reviewed by the audit committee (“Audit Committee”) of the Board.

Condensed Consolidated Income Statement

For the six months ended 31 January 2019

	Note	Unaudited	
		2019	2018
		RMB'000	RMB'000
Revenue	4	363,945	659,701
Cost of sales		(320,568)	(572,321)
Gross profit		43,377	87,380
Other income – net		2,196	3,884
Other gains – net	5	534	3,999
Distribution costs		(26,376)	(25,743)
General and administrative expenses		(40,202)	(51,744)
Operating (loss)/profit		(20,471)	17,776
Finance costs – net	7(a)	(7,117)	(6,077)
Share of loss of an associate		–	(4,555)
(Loss)/profit before income tax	7	(27,588)	7,144
Income tax expense	8(a)	(2,885)	(2,028)
(Loss)/profit for the period attributable to owners of the Company		(30,473)	5,116
(Loss)/earnings per share attributable to owners of the Company during the period (Renminbi cents)			
Basic	9(a)	(1.32)	0.23
Diluted	9(b)	(1.32)	0.23

The notes on pages 11 to 49 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2019

	Unaudited	
	Six months ended 31 January	
	2019	2018
	RMB'000	RMB'000
(Loss)/profit for the period	(30,473)	5,116
Other comprehensive income for the period	-	-
Total comprehensive (loss)/income for the period attributable to owners of the Company	(30,473)	5,116

The notes on pages 11 to 49 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 January 2019

		Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	11	455,066	463,488
Land use rights	11	13,550	13,751
Available-for-sale investment	12	–	8,198
Financial asset at fair value through other comprehensive income	12	8,198	–
Prepayments and deposits	13	7,916	18,349
Deferred income tax assets	8(b)	468	466
		485,198	504,252
Current assets			
Inventories	14	62,868	115,881
Trade and other receivables	13	168,798	205,210
Amounts due from related parties	23(b)	6,580	9,550
Bank deposits	15	86,723	68,024
Cash and cash equivalents	16	58,956	86,159
		383,925	484,824
Assets classified as held-for-sale		–	22,664
Total assets		869,123	1,011,740
EQUITY			
Capital and reserves			
Share capital	17	105,013	105,013
Share premium		306,364	306,364
Reserves		74,948	98,911
Total equity attributable to owners of the Company		486,325	510,288

Condensed Consolidated Statement of Financial Position

At 31 January 2019

		Unaudited	Audited
		At 31 January	At 31 July
		2019	2018
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	–	5,880
Finance lease liabilities	20	7,494	4,683
Deferred income tax liabilities	8(b)	2,746	1,782
		10,240	12,345
Current liabilities			
Trade and other payables	19	130,484	227,455
Amounts due to related parties	23(c)	1,234	1,433
Borrowings	18	229,004	252,369
Finance lease liabilities	20	10,758	6,031
Tax payable		1,078	1,819
		372,558	489,107
Total liabilities		382,798	501,452
Total equity and liabilities		869,123	1,011,740

The notes on pages 11 to 49 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 2019

	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 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
At 1 August 2018	105,013	306,364	11,752	60,411	13,872	12,876	510,288
Adjustment on adoption of HKFRS 15 (note 2(b))	-	-	-	-	-	6,510	6,510
Restated balance at 1 August 2018	105,013	306,364	11,752	60,411	13,872	19,386	516,798
Comprehensive loss							
Loss for the period	-	-	-	-	-	(30,473)	(30,473)
Total comprehensive loss for the period	-	-	-	-	-	(30,473)	(30,473)
Transfer upon disposal of a subsidiary	-	-	-	(301)	-	301	-
Appropriation	-	-	-	1,116	-	(1,116)	-
At 31 January 2019	105,013	306,364	11,752	61,226	13,872	(11,902)	486,325

The notes on pages 11 to 49 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2019

	Note	Unaudited	
		Six months ended 31 January 2019	2018
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		7,115	61,857
Income tax paid		(2,664)	(3,889)
Net cash generated from operating activities		4,451	57,968
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(7,950)	(62,049)
Proceeds from disposal of property, plant and equipment		9,003	1,389
Net proceeds on disposal of a subsidiary		26,716	64,363
Interest received		777	445
Net cash generated from investing activities		28,546	4,148
Cash flows from financing activities			
Repayment of bank loans		(10,910)	(24,497)
Net decrease in trust receipt loans		(19,840)	(59,333)
Proceeds from shares issued under the share option scheme		-	2,053
Net proceeds from rights issue	17	-	86,537
(Increase)/decrease in bank deposits		(18,699)	21,034
Payment of finance lease liabilities		(4,362)	(7,914)
Borrowing costs paid		(7,894)	(6,522)
Net cash (used in)/generated from financing activities		(61,705)	11,358
Net (decrease)/increase in cash and cash equivalents		(28,708)	73,474
Cash and cash equivalents at 1 August		67,443	29,502
Cash and cash equivalents at 31 January	16	38,735	102,976

The notes on pages 11 to 49 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 2019 is unaudited and has been reviewed by the audit committee of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 22 March 2019.

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 2019 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 2018, 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 2018.

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 2018, 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 2018:

Standards	Subject of amendment
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle

The impact of the adoption of HKFRS 9 “Financial instruments” and HKFRS 15 “Revenue from contracts with customers” is disclosed in “Changes in accounting policies” section below. Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other amendments to standards and interpretation that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(b) Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 “Financial instruments” and HKFRS 15 “Revenue from contracts with customers” on the Group’s condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 August 2018, where they are different to those applied in prior periods.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(i) Impact on condensed consolidated interim financial information

The Group elects to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The classification and the adjustments arising from the adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated statement of financial position as at 31 July 2018, but are recognised in the opening of the condensed consolidated interim statement of financial position on 1 August 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

Condensed consolidated interim statement of financial position (extract)	31 July 2018 As originally presented RMB'000	Effects of the adoption of HKFRS 9 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	1 August 2018 RMB'000
Non-current assets				
Available-for-sale investment	8,198	(8,198)	–	–
Financial asset at fair value through other comprehensive income	–	8,198	–	8,198
Current assets				
Trade and other receivables	205,210	–	41,808	247,018
Inventories	115,881	–	(34,839)	81,042
Current liabilities				
Trade and other payables	227,455	–	459	227,914
Equity				
Retained earnings	12,876	–	6,510	19,386

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(ii) HKFRS 9 “Financial instruments” – Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 “Financial instruments” from 1 August 2018 resulted in changes in accounting policies.

Classification and measurement

On 1 August 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as available-for-sale financial assets (“AFS”) in other comprehensive income. As a result, AFS with aggregated fair value of RMB8,198,000 was reclassified to financial assets at fair value through other comprehensive income (“FVOCI”) on 1 August 2018. Other classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 August 2018, and there is no change in the measurement categories of each material class of financial assets and liabilities.

Impairment of financial assets

The Group’s significant financial assets which are subject to the new expected credit loss model include cash and cash equivalents, bank deposits with original maturities over 3 months, amount due from related parties, trade and other receivables. The Group was required to revise its impairment methodologies under HKFRS 9 for these classes of financial assets. The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables based on credit risk characteristics and the days past due. For other financial assets, expected credit losses are assessed according to change in credit quality since initial recognition. Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group has assessed the expected credit loss model applied as at 1 August 2018 and the change in impairment methodologies has no significant impact to the Group’s allowance for impairment as at 1 August 2018.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(iii) HKFRS 9 “Financial instruments” – Accounting policies applied from 1 August 2018

Classification

From 1 August 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for equity investments at FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in “other gains-net” in the condensed consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(iii) HKFRS 9 “Financial instruments” – Accounting policies applied from 1 August 2018 (Continued)

Impairment

From 1 August 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) HKFRS 15 “Revenue from contracts with customers” – Impact of adoption

The Group has adopted HKFRS 15 “Revenue from contracts with customers” from 1 August 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. As such, receipt in advance from customers which was previously included in trade and other payables, amounting to RMB12,897,000 as at 1 August 2018, are now recognised as contract liabilities (as included in trade and other payables) to reflect the terminology of HKFRS 15.

The impact on Group’s retained earnings as at 1 August 2018 are as follows:

At 1 August 2018	RMB'000
Retained earnings – before HKFRS 15 assessment	12,876
Recognition of revenue and cost of sales over time	6,510
Retained earnings – after HKFRS 15 restatement	19,386

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) 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 2018 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements 2015-2017 Cycle	1 August 2019
Amendments to HKAS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement	1 August 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 August 2019
HKFRS 16 (Note (i))	Leases	1 August 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 August 2019
HKFRS 17	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

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

Note:

- (i) 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 RMB2,455,000 (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.

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 2018.

There have been no changes in the risk management policies since 31 July 2018.

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 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 January 2019				
Financial assets at fair value through other comprehensive income				
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 2019.

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, financial asset at fair value through other comprehensive income, 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 31 January:								
Revenue from external customers	201,817	269,664	130,491	350,269	31,637	39,768	363,945	659,701
Reportable segment result	3,627	17,996	3,535	25,412	2,353	3,111	9,515	46,519
Additions to non-current segment assets during the period	16,263	31,439	2,875	18,991	5,010	3,693	24,148	54,123
At 31 January/31 July:								
Reportable segment assets	413,195	470,246	110,414	184,607	64,878	55,437	588,487	710,290
Reportable segment liabilities	82,729	115,751	40,321	85,484	4,896	5,577	127,946	206,812

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	
	2019	2018
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	363,945	659,701
Consolidated revenue	363,945	659,701
Segment result		
Reportable segment profit	9,515	46,519
Share of loss of an associate	–	(4,555)
Finance costs – net (Note 7(a))	(7,117)	(6,077)
Unallocated depreciation and amortisation	(4,687)	(3,936)
Unallocated operating income and expenses	(25,299)	(24,807)
(Loss)/profit before income tax	(27,588)	7,144

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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Assets		
Reportable segment assets	588,487	710,290
Available-for-sale investment	–	8,198
Financial asset at fair value through other comprehensive income	8,198	–
Deferred income tax assets	468	466
Unallocated head office and corporate assets	271,970	292,786
Consolidated total assets	869,123	1,011,740
Liabilities		
Reportable segment liabilities	127,946	206,812
Deferred income tax liabilities	2,746	1,782
Unallocated head office and corporate liabilities	252,106	292,858
Consolidated total liabilities	382,798	501,452

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	
	2019	2018
	RMB'000	RMB'000
Mainland China	152,453	490,133
United States of America	151,705	71,137
Europe	41,456	79,260
South East Asia	7,381	11,409
Hong Kong	5,585	7,759
Others	5,365	3
	363,945	659,701

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 three (2018: two) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the six months ended 31 January 2019.

Those customers individually contributed 35%, 15% and 11% of the Group's revenue (2018: 27% and 12%), respectively.

Notes to the Condensed Consolidated Interim Financial Information

5 OTHER GAINS – NET

	Unaudited	
	Six months ended 31 January	
	2019	2018
	RMB'000	RMB'000
Net foreign exchange (loss)/gain	(1,359)	3,308
Loss on disposal of property, plant and equipment	(2,159)	(694)
Gain on disposal of a subsidiary (note 6)	4,052	1,385
	534	3,999

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"), a wholly-owned subsidiary, for a total cash consideration of RMB73,779,000. Qingdao GS was 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

6 GAIN ON DISPOSAL OF A SUBSIDIARY (CONTINUED)

During the six months ended 31 January 2019, the Group disposed of its 100% equity interest in Qingdao GP Electronic Plastics Co., Ltd. ("Qingdao GP") for a total cash consideration of RMB27,000,000. Qingdao GP was originally principally engaged in the provision of manufacturing and selling of plastic molded products and parts in the PRC and became dormant since 2015. As a result of the disposal, a gain of approximately RMB4,052,000 has been recognised in the condensed consolidated income statement. The effect of the disposal is summarised as follows:

	RMB'000
Sales proceeds	27,000
Less:	
Net assets disposed of	
– Plant and buildings	(19,755)
– Land use right	(2,909)
Expenses attributable to the disposal	(284)
Net gain on disposal	<u>4,052</u>

Net proceeds on disposal of a subsidiary is as follows:

Total consideration received by cash	27,000
Less:	
Expenses attributable to the disposal	(284)
Net proceeds on disposal of a subsidiary	<u>26,716</u>

Notes to the Condensed Consolidated Interim Financial Information

7 (LOSS)/PROFIT BEFORE INCOME TAX

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

(a) Finance costs – net

	Unaudited	
	Six months ended 31 January	
	2019	2018
	RMB'000	RMB'000
Interest income from bank deposits	(777)	(445)
Interest on bank borrowings repayable within five years	7,311	6,214
Less: borrowing costs capitalised as construction-in-progress	(317)	(789)
Other finance charges	900	1,097
	7,894	6,522
Finance costs – net	7,117	6,077

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2019	2018
	RMB'000	RMB'000
Cost of sales	320,568	572,321
Amortisation of land use rights	201	251
Depreciation of property, plant and equipment	23,378	26,197
Operating lease charges in respect of properties – factory and hostel rentals	4,197	4,345
Write-back of provision for impairment of trade receivables	–	(422)

Notes to the Condensed Consolidated Interim Financial Information

8 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2019	2018
	RMB'000	RMB'000
Current income tax		
PRC corporate income tax	1,923	39
Deferred income tax		
Origination and reversal of temporary differences	962	1,989
	2,885	2,028

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 2019 and 2018.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for three subsidiaries, which one subsidiary is fully exempt from corporate income tax for the first three years starting from 1 January 2015 to 31 December 2017 after obtaining the concession, follow by a 50% tax exemption for the next three years and two subsidiaries were certified as High and New Technology Enterprises and are entitled to a concessionary tax rate of 15% from 1 January 2015 to 31 December 2017 and 1 January 2017 to 31 December 2019, respectively. They are entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

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	
	2019	2018
	RMB'000	RMB'000
At beginning of the period	(1,782)	(932)
Payment of withholding tax	–	356
Charged to the income statement	(964)	(663)
At end of the period	(2,746)	(1,239)

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2019	2018
	RMB'000	RMB'000
At beginning of the period	466	1,704
Credited/(charged) to the income statement	2	(1,326)
At end of the period	468	378

Notes to the Condensed Consolidated Interim Financial Information

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB30,473,000 (2018: profit of RMB5,116,000) 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	
	2019	2018
(Loss)/profit attributable to owners of the Company (RMB'000)	(30,473)	5,116
Weighted average number of ordinary shares in issue (thousand shares)	2,307,513	2,199,493
Basic (loss)/earnings per share (RMB cents)	(1.32)	0.23

(b) Diluted (loss)/earnings per share

Diluted (loss)/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.

For the period ended 31 January 2019, diluted loss per share equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

For the period ended 31 January 2018, diluted earnings per share are as follows

	2018
Profit attributable to owners of the Company (RMB'000)	5,116
Weighted average number of ordinary shares in issue (thousand shares)	2,199,493
Adjustment for share options (thousand shares)	3,095
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	2,202,588
Diluted earnings per share (RMB cents)	0.23



Notes to the Condensed Consolidated Interim Financial Information

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 2019 and 2018.

(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 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
Cost		
At 31 July and 1 August 2018	1,170,200	20,313
Additions	26,118	–
Disposals	(16,657)	–
At 31 January 2019	1,179,661	20,313
Accumulated depreciation and amortisation		
At 31 July and 1 August 2018	706,712	6,562
Charge for the period	23,378	201
Written back on disposals	(5,495)	–
At 31 January 2019	724,595	6,763
Net book value		
At 31 January 2019 (Unaudited)	455,066	13,550
At 31 July 2018 (Audited)	463,488	13,751

Notes to the Condensed Consolidated Interim Financial Information

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

As at 31 January 2019 and 31 July 2018, certain land use rights, property, plant and equipment have been pledged as security for its trade finances, overdraft and bank loans (note 18).

12 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENT

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

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
At beginning of the period	8,198	–
Addition – Unlisted equity investment in the PRC (Note (a))	–	8,198
Reclassify to financial asset at fair value through other comprehensive income	(8,198)	
At end of the period	–	8,198

Notes to the Condensed Consolidated Interim Financial Information

12 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENT (CONTINUED)

Movements of the carrying amount of financial asset at fair value through other comprehensive income during the period are as follows:

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
At beginning of the period	–	–
Reclassify from available-for-sale investment	8,198	–
At end of the period	8,198	–

Notes:

- (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 financial asset at fair value through other comprehensive income

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 financial asset at fair value through other comprehensive income 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 financial asset at fair value through other comprehensive income.

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE AND OTHER RECEIVABLES

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Trade receivables	110,032	168,387
Bills receivable	5,050	3,550
Contract assets	32,631	–
Trade and bills receivables and contract assets – gross	147,713	171,937
Less: Provision for impairment	(585)	(757)
Trade and bills receivables and contract assets – net	147,128	171,180
Other receivables, prepayments and deposits	63,586	86,379
Less: Provision for impairment (Note)	(34,000)	(34,000)
Other receivables, prepayments and deposits – net	29,586	52,379
Less: Prepayments and deposits (non-current)	(7,916)	(18,349)
Total trade and other receivables (current)	168,798	205,210

Note:

Included in “other receivables, prepayments and deposits” were deposits of RMB34,000,000 (“Deposits”) in relation to a conditional acquisition agreement (as supplemented) (“Agreement”) entered into with a third party vendor (“Vendor”) on 5 February 2015 to acquire from the Vendor 20% equity interest of a company involved in a solar energy project in Inner Mongolia, the PRC for a consideration of RMB44,000,000 subject to fulfilment of certain conditions set out therein. In addition, under the Agreement, upon completion of the acquisition of the 20% equity interest, the Group would be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the target company at its sole discretion. On 1 November 2015, the Agreement lapsed as certain conditions as set out in the Agreement had not been fulfilled. The Group has been in discussions with the Vendor regarding the full refund of Deposits of RMB34,000,000. On 31 August 2016, a settlement agreement (“Settlement Agreement”) was entered into between the Group and the Vendor, pursuant to which the Vendor shall repay the Deposits and the interest thereon at 5% per annum by 30 November 2016. Up to the date of these 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 as at 31 January 2019 and 31 July 2018. 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 ageing analysis of the Group's trade and bills receivables by overdue date is as follows:

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Neither past due nor impaired	103,744	161,645
Past due for:		
Less than 1 month	6,856	5,058
1 to 3 months	3,776	3,941
More than 3 months	706	1,293
	11,338	10,292
	115,082	171,937

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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Raw materials	37,011	58,339
Work-in-progress	13,587	21,005
Finished goods	12,270	36,537
	62,868	115,881

Notes to the Condensed Consolidated Interim Financial Information

15 BANK DEPOSITS

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Pledged deposits with banks (Note)	86,723	68,024

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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Cash and cash equivalents	58,956	86,159
Bank overdrafts (note 18)	(20,221)	(18,716)
Cash and cash equivalents in the condensed consolidated statement of cash flows	38,735	67,443

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE CAPITAL

Authorised and issued share capital

	Unaudited At 31 January 2019		Audited At 31 July 2018	
	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	2,307,513	105,013	1,839,780	85,311
Issuance of shares from rights issue (Note)	–	–	459,945	19,371
Issuance of shares upon exercising of share option	–	–	7,788	331
At 31 January/31 July	2,307,513	105,013	2,307,513	105,013

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

Note:

On 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.

Notes to the Condensed Consolidated Interim Financial Information

18 BORROWINGS

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Current		
Short-term bank borrowings, unsecured	19,990	10,017
Bank overdrafts, secured	20,221	18,716
Trust receipts bank loans, secured	162,903	182,743
Portion of bank borrowings repayable within one year, secured	25,890	40,893
	229,004	252,369
Non-current		
Bank borrowings repayable after one year but within two years, secured	-	5,880
Total borrowings	229,004	258,249

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

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Bank deposits	86,723	68,024
Buildings	173,602	173,503
Plant and machinery	14,643	17,988
Land use rights	13,550	13,751
	288,518	273,266

Notes to the Condensed Consolidated Interim Financial Information

18 BORROWINGS (CONTINUED)

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling RMB448,789,000 (31 July 2018: RMB309,863,000), were utilised to the extent of RMB209,014,000 at 31 January 2019 (31 July 2018: RMB248,232,000). The Group's banking facilities also included certain unsecured banking facilities, totally RMB20,000,000 (31 July 2018: RMB20,000,000), which were utilised to the extent of RMB19,990,000 at 31 January 2019 (31 July 2018: RMB10,017,000).

19 TRADE AND OTHER PAYABLES

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Trade payables	72,519	134,150
Payables for the purchase of property, plant and equipment	11,637	15,802
Accrued expenses and other payables	31,724	64,606
Receipts in advance	–	12,897
Contract liabilities	14,604	–
Trade and other payables	130,484	227,455

The ageing analysis of trade payables on invoice date is as follows:

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Less than 1 month	21,452	41,708
1 to 3 months	38,137	70,722
More than 3 months	12,930	21,720
	72,519	134,150

Notes to the Condensed Consolidated Interim Financial Information

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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	12,590	7,136
Later than 1 year and no later than 5 years	8,064	4,956
	20,654	12,092
Future finance charges on finance leases	(2,402)	(1,378)
Present value of finance lease liabilities	18,252	10,714
The present value of finance lease liabilities is as follows:		
No later than 1 year	10,758	6,031
Later than 1 year and no later than 5 year	7,494	4,683
	18,252	10,714

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 duly passed at the annual general meeting of the Company (“2014 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 the 2014 AGM. As at the date of the 2014 AGM, there were 1,763,221,547 shares of the Company in issue. Accordingly, the refreshed mandate was 176,322,154 shares of the Company.

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

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

Pursuant to the resolution in writing signed by directors on 12 January 2017, 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 2019, none (period ended 31 January 2018: RMB2,171,000) was recognised as employee costs with a corresponding increase in capital reserve within equity.

Notes to the Condensed Consolidated Interim Financial Information

21 SHARE OPTION SCHEME (CONTINUED)

Pursuant to the resolution duly passed at the annual general meeting of the Company ("2018 AGM") held on 13 December 2018, 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 the 2018 AGM. As at the date of the 2018 AGM, there were 2,307,513,363 shares of the Company in issue. Accordingly, the refreshed mandate was 230,751,336 shares of the Company.

- (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	0.310 (Note)	90,832,707
	12 January 2017 to 28 February 2018	1 March 2018 to 28 February 2019	0.310 (Note)	91,142,857
				181,975,564

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.

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.

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 2018	0.310	168,578
Exercised during the period	N/A	–
Lapsed during the period	N/A	–
At 31 January 2019	0.310	<u>168,578</u>
Exercisable at the end of the period	0.310	<u>168,578</u>

(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 2019 and 31 July 2018 not provided for in the consolidated financial statements are as follows:

	Unaudited At 31 January 2019 RMB'000	Audited At 31 July 2018 RMB'000
Contracted for	3,428	7,238

(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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Within one year	2,455	4,078

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.

Notes to the Condensed Consolidated Interim Financial Information

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 31 January 2019, the Group entered into the following significant related party transactions:

	Unaudited	
	Six months ended 31 January	
	2019	2018
	RMB'000	RMB'000
Sales to the ultimate holding company	3,323	–
Sales to an associate	–	3,983
	3,323	3,983
Sales of machineries to the ultimate holding company	8,722	–
Operating lease charges paid and payable to a company controlled by a director	3,829	3,829
Purchase fabricated moulds and certain moulded productions and parts from a company controlled by a family member of a director	–	1,126
Management fee paid and payable to a company controlled by a director	249	249
Sub-contracting fee paid and payable to a company controlled by a family member of a director	2,668	3,919
Repair and maintenance services paid and payable to a company controlled by a family member of a director	536	541

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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Amount due from a company controlled by a director	1,301	2,015
Amount due from the ultimate holding company (Note (i))	5,279	715
Amount due from an associate (Note (ii))	-	6,820
	6,580	9,550

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

Notes:

- (i) As at 31 January 2019, the balance included RMB1,031,000 (31 July 2018: nil) which is arisen from trading transactions. The balance is interest-free, unsecured and neither past due nor impaired.
- (ii) 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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Neither past due nor impaired	-	3,757
Past due for:		
Less than 1 month	-	-
1 to 3 months	-	3,063
More than 3 months	-	-
	-	3,063
	-	6,820

The maximum exposure to credit risk is the fair value of the above receivables.

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 2019 RMB'000	Audited At 31 July 2018 RMB'000
Amounts due to directors	203	203
Amount due to the ultimate holding company	9	14
Amounts due to companies controlled by the family member of a director	1,022	1,216
	1,234	1,433

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 implement its strategies to focus on higher value-added products.

FINANCIAL REVIEW

The Group recorded a revenue of RMB363.95 million, representing a significant decrease of RMB295.75 million or 44.83% as compared to RMB659.70 million for the corresponding period in 2018. Gross profit for the period decreased from RMB87.38 million for the corresponding period in 2018 to RMB43.38 million. The gross profit margin dropped from 13.25% to 11.92%.

The Group's operating expenses, composed of distribution costs and general and administrative expenses, decreased from RMB77.48 million to RMB66.58 million, a decrease of RMB10.90 million over the corresponding period in 2018. The Group recorded a loss of RMB30.47 million as compared to a profit of RMB5.12 million in the corresponding period ended 31 January 2018.

Plastic injection and moulding business

The Group recorded a revenue of RMB201.82 million for this segment as compared to RMB269.66 million for the corresponding period in 2018, representing a decrease of RMB67.84 million or 25.16%. The decrease was mainly due to the deconsolidation of results of Qingdao GS from the financial statements of the Group since the completion of the disposal by the Group of 90% interest in Qingdao GS in December 2017.

Assembling of electronic products business

This segment recorded a revenue of RMB130.49 million, representing a significant decrease of RMB219.78 million or 62.75% from RMB350.27 million for the corresponding period in 2018. The significant decrease was mainly due to a significant drop in the amount of orders placed by an existing customer for the six months ended 31 January 2019. The amount of orders placed by the customer declined by about RMB160.00 million for the six months ended 31 January 2019 when compared to the corresponding period in 2018.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB31.64 million, representing a decrease of RMB8.13 million or 20.44% as compared to RMB39.77 million for the corresponding period in 2018.

Distribution costs

Distribution costs amounted to RMB26.38 million, representing an increase of RMB0.64 million or 2.49% as compared to RMB25.74 million in the corresponding period ended 31 January 2018. The increase in distribution costs was mainly due to the increase in carriage outward.

Management Discussion and Analysis of Results of Operations

General and administrative expenses

General and administrative expenses amounted to RMB40.20 million, representing a decrease of RMB11.54 million or 22.30% as compared to RMB51.74 million for the corresponding period in 2018. The decrease was primarily due to lower human resources expenses of RMB5.28 million arising from reduction in the number of employees and the decrease in equity settled share-based payment expenses of RMB2.17 million and research and development expenses of RMB3.54 million during the period.

Other gains – net

During the period, the Group recorded other net gains of RMB0.53 million as compared to RMB4.00 million for the corresponding period in 2018, which comprised mainly net gain on disposal of a subsidiary of RMB4.05 million which were offset by net foreign exchange loss of RMB1.36 million and net loss on disposal of property, plant and equipment of RMB2.16 million.

Finance costs – net

The net finance costs for the period increased by 17.11% or RMB1.04 million from RMB6.08 million for the corresponding period in 2018 to RMB7.12 million. The increase was mainly due to higher interest rate during the period.

Share of loss of an associate

The Group's share of loss of an associate of RMB4.56 million during the period in 2018 was solely attributed to loss incurred by its associate in Vietnam.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2019 (2018: nil).



Future Prospects

The prolonged trade war and tariff negotiations between the United States (the “US”) and China has created significant uncertainty in the business environment in China. The global economy is facing with (i) cautious and risk averting business environment; (ii) a trend of rising interest rates in the US; and (iii) realignment of the production of consumer electronic products globally arising from the Sino-American trade war. At the moment, the management is unable to assess the impact of the uncertainties in the business environment to the Group’s operation. The Group has been streamlining its operation and formulating a stronger financial position with a light asset operation and lower geared structure and higher liquidity. By way of adopting a light assets and cost model, the Group should be able to improve its operational flexibility, reduce its debts and minimise the adverse impact on the business operation.

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 2019, the Group had cash and bank deposits of RMB145.68 million (31 July 2018: RMB154.18 million), of which RMB86.72 million (31 July 2018: RMB68.02 million) was pledged to banks for the facilities granted to the Group. 33.89%, 65.69% and 0.42% of cash and bank deposits are denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HK\$"), respectively.

As at 31 January 2019, the Group had outstanding interest-bearing borrowings including finance lease liabilities of RMB247.25 million (31 July 2018: RMB268.96 million). The total borrowings including finance lease liabilities were denominated in USD (30.00%), RMB (61.83%) and HK\$ (8.17%), and the maturity profile is as follows:

Repayable	As at 31 January 2019		As at 31 July 2018	
	RMB million (Unaudited)	%	RMB million (Audited)	%
Within one year	239.76	96.97	258.40	96.07
After one year but within two years	6.57	2.66	10.56	3.93
After two years but within five years	0.92	0.37	–	–
Total borrowings including finance lease liabilities	247.25	100.00	268.96	100.00
Cash and bank deposits	(145.68)		(154.18)	
Net borrowings including finance lease liabilities	101.57		114.78	

As at 31 January 2019, the Group's net current assets were RMB11.37 million (31 July 2018: RMB18.38 million). As at 31 January 2019, the Group has undrawn bank facilities of RMB239.79 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 2019 was 11.69% (31 July 2018: 11.34%).



Other Information

CHARGES ON GROUP ASSETS

As at 31 January 2019, certain assets of the Group with an aggregate carrying value of RMB288.52 million (31 July 2018: RMB273.27 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 100% equity interest in Qingdao GP to an independent third party at a total cash consideration of RMB27.00 million. Qingdao GP was originally principally engaged in the provision of manufacturing and selling of plastic molded products and parts in the PRC and became dormant since 2015. Qingdao GP ceased to be a subsidiary of the Company upon completion of the disposal. Please refer to the announcements of the Company dated 19 July 2018 and 22 October 2018 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 2019.

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 loss of RMB1.36 million (2018: net gain of RMB3.31 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 2019, the Group had a total of 1,728 employees (31 July 2018: 2,688). 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 RMB85.46 million (2018: RMB119.39 million). The decrease in human resources expenses was mainly due to the decrease in the number of employees during the period. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

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

As a public listed entity, the Group has adopted a share option scheme to provide incentives to eligible directors and employees 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 2019 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 2019 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 2019, 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	142,138,493 ordinary shares (L) (Note 7)	7.88%
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	91,428,362 ordinary shares (L) (Note 8)	5.07%

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	129,032,125 ordinary shares (L) (Note 9)	7.15%
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	21,250,000 ordinary shares (L) (Note 10)	1.18%
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	33,273,037 ordinary shares (L) (Note 11)	1.84%

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%
	VS Berhad	Beneficial owner	100,000 ordinary shares (L)	0.01%
Tang Sim Cheow	The Company	Beneficial owner	2,202,288 Shares (L) (Notes 5 and 6)	0.10%
	VS Berhad	Beneficial owner	125,000 ordinary shares (L) (Note 12)	0.01%
Fu Xiao Nan	The Company	Beneficial owner	1,563,158 Shares (L) (Notes 5 and 6)	0.07%

Notes:

- 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.
- The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
- 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 2019.
- 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 2019.
- 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 2019.

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 2019, 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 61 to 63 of this interim Report.
7. 3,187,500 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 RM0.56 per share during a period of 5 years from 12 May 2015.
8. 1,062,500 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 RM0.56 per share during a period of 5 years from 12 May 2015.
9. 1,062,500 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 RM0.56 per share during a period of 5 years from 12 May 2015.
10. 250,000 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 RM0.56 per share during a period of 5 years from 12 May 2015.
11. 1,062,500 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 RM0.56 per share during a period of 5 years from 12 May 2015.
12. 125,000 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 RM0.56 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 2019 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 2019, 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 2019:

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 2018	Exercised during the period	Granted during the period	Adjusted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2019
Directors										
Beh Kim Ling	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
Gan Sem Yam	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
Gan Chu Cheng	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
Zhang Pei Yu	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
Beh Chern Wei	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	7,753,759
		1 March 2018 to 28 February 2019	0.310	N/A	7,753,759	-	-	-	-	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 2018	Exercised during the period	Granted during the period	Adjusted during the period	Lapsed/cancelled during the period	Outstanding at 31 January 2019
Gan Tiong Sia	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	3,887,218	-	-	-	-	3,887,218
		1 March 2018 to 28 February 2019	0.310	N/A	3,887,218	-	-	-	-	3,887,218
Diong Tai Pew	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	781,579	-	-	-	-	781,579
		1 March 2018 to 28 February 2019	0.310	N/A	781,579	-	-	-	-	781,579
Tang Sim Cheow	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	781,579	-	-	-	-	781,579
		1 March 2018 to 28 February 2019	0.310	N/A	781,579	-	-	-	-	781,579
Fu Xiao Nan	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	781,579	-	-	-	-	781,579
		1 March 2018 to 28 February 2019	0.310	N/A	781,579	-	-	-	-	781,579
					90,001,500	-	-	-	-	90,001,500
Other employees (Note 2)	12 January 2017	1 March 2017 to 28 February 2019	0.310	N/A	35,544,308	-	-	-	-	35,544,308
		1 March 2018 to 28 February 2019	0.310	N/A	43,032,308	-	-	-	-	43,032,308
					78,576,616	-	-	-	-	78,576,616
					168,578,116	-	-	-	-	168,578,116

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 (Chapter 57 of the Laws of Hong Kong).

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 2019.

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

Macau, the PRC
22 March 2019