V.S. INTERNATIONAL GROUP LIMITED

威 鋮 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2017

HIGHLIGHTS

- Revenue increased by 43.71% to RMB1,270.73 million;
- Profit for the year attributable to owners of the Company was RMB13.48 million;
- Basic earnings per share was 0.71 Renminbi cent.

The Board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") would like to announce the consolidated results of the Company and its subsidiaries (together, the "**Group**") for the financial year ended 31 July 2017, prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), together with comparative figures for the previous financial year. The figures in respect of the preliminary announcement of the Group's results for the financial year ended 31 July 2017 have been compared by the Company's auditor, PricewaterhouseCoopers, Certified Public Accountants, with the amounts set out in the Group's audited consolidated financial statements for the year ended 31 July 2017 and the amounts were found to be in agreement. The work performed by PricewaterhouseCoopers in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement. In addition, this announcement (including the annual results) has been reviewed by the audit committee of the Company ("**Audit Committee**").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	*2*	**1,270,725**	884,227
Cost of sales		**(1,057,346)**	(735,155)
Gross profit		**213,379**	149,072
Other income	*3*	**5,571**	7,653
Other losses – net	*3*	**(4,737)**	(38,828)
Distribution costs		**(68,879)**	(53,001)
General and administrative expenses		**(99,515)**	(76,768)
Operating profit/(loss)	*4*	**45,819**	(11,872)
Finance income		**1,787**	385
Finance costs		**(14,163)**	(12,139)
Finance costs – net	*5*	**(12,376)**	(11,754)
Share of (loss)/profit of an associate		**(9,846)**	2,531
Profit/(loss) before income tax		**23,597**	(21,095)
Income tax expense	*6*	**(10,113)**	(11,408)
Profit/(loss) for the year attributable to owners of the Company		**13,484**	(32,503)

		2017	2016 (Restated)
Earnings/(loss) per share attributable to owners of the Company during the year *(RMB cents)*			
Basic	*8*	**0.71**	(1.72)
Diluted	*8*	**0.71**	(1.72)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2017

	Note	As at 31 July 2017 RMB'000	As at 31 July 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**497,318**	455,100
Land use rights		**18,069**	18,576
Interest in an associate		**17,274**	15,884
Prepayments and deposits	*9*	**11,420**	9,772
Deferred income tax assets		**1,704**	2,221
		545,785	501,553
Current assets			
Inventories		**132,762**	94,869
Trade and other receivables	*9*	**255,991**	223,479
Amounts due from related parties		**13,843**	16,380
Bank deposits	*10*	**70,670**	12,986
Cash and cash equivalents		**50,160**	45,586
		523,426	393,300
Total assets		**1,069,211**	894,853
EQUITY			
Capital and reserves			
Share capital		**85,311**	84,996
Share premium		**236,590**	234,180
Reserves		**104,306**	80,716
Total equity attributable to owners of the Company		**426,207**	399,892

	Note	As at 31 July 2017 RMB'000	As at 31 July 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**46,164**	85,399
Finance lease liabilities		**2,813**	–
Deferred income tax liabilities		**932**	567
		49,909	85,966
Current liabilities			
Trade and other payables	*11*	**337,395**	234,693
Amounts due to related parties		**1,753**	703
Borrowings		**243,927**	164,785
Finance lease liabilities		**1,683**	–
Tax payables		**8,337**	8,814
		593,095	408,995
Total liabilities		**643,004**	494,961
Total equity and liabilities		**1,069,211**	894,853

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and requirements of Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Going concern basis

As at 31 July 2017, the Group's current liabilities exceeded its current assets by RMB69,669,000 (2016: RMB15,695,000). At the same date, the Group's pledged bank deposits and cash and cash equivalents amounted to RMB120,830,000 while the Group's borrowings and finance lease liabilities classified under current liabilities amounted to RMB245,610,000. On 19 July 2017, the Company announced its intention to raise additional capital through a rights issue at a subscription price of HK$0.230 per rights share on the basis of one rights share for every four existing shares to finance the Group's planned capital expenditure and for general working capital purposes. On 12 September 2017, the rights issue was completed and the Group raised cash proceeds of approximately RMB89.12 million (equivalent to approximately HK$105.80 million).

Notwithstanding the Group's net current liabilities as at 31 July 2017, these consolidated financial statements have been prepared on a going concern basis as the Board considered that the Group's available sources of funds, including the Group's expected net cash inflows from its operating activities in the coming year, cash proceeds from the successful completion of the aforementioned rights issue and the history of renewal of banking facilities, are sufficient to meet its financial obligations as and when they become due and to finance its planned capital expenditure at least in the coming twelve months from 31 July 2017. The Board therefore considered that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

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

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 August 2016:

Standards	Subject of amendments
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27 (2011)	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements project	Annual improvements to HKFRSs 2012-2014 Cycle

The adoption of the above new and amended standards did not have a significant impact on the Group's consolidated financial statements.

(b) New standards, amendments to existing standards and interpretation that are not yet effective and have not been early adopted by the Group

Standards	Subject of amendments
Annual improvements to HKFRS 12	Annual improvements to HKFRSs 2014 – 2016 Cycle (1)
Amendments to HKAS 7	Disclosure initiative (1)
Amendments to HKFRS 12	Recognition of deferred tax assets for unrealised losses (1)
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions (2)
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts (2)
HKFRS 9 (Note i)	Financial instruments (2)
HKFRS 15 (Note ii)	Revenue from contracts with customers (2)
Amendments to HKFRS 15	Clarification to HKFRS 15 (2)
Amendments to HKAS 40	Transfers of investment property (2)
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration (2)
HKFRS 16 (Note iii)	Leases (3)
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture (4)
Annual improvements to HKFRS 1 and HKAS 28	Annual improvements to HKFRSs 2014 – 2016 Cycle (2)

(1) Effective for the Group for annual period beginning on or after 1 August 2017.
(2) Effective for the Group for annual period beginning on or after 1 August 2018.
(3) Effective for the Group for annual period beginning on or after 1 August 2019.
(4) Effective date to be determined.

The Group is in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards and interpretation. The Group will adopt the new and amended standards and interpretation when they become effective.

A number of new standards and amendments to standards and interpretation are effective for annual periods beginning on or after 1 August 2017 and have not been early applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) HKFRS 9, "Financial instruments"

HKFRS 9 Financial Instruments 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. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets, as the new requirements affect the accounting for financial assets that are available-for-sale and financial assets measured at fair value through profit or loss and the Group does not have any such assets.

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. However, at this stage the Group does not expect to identify any new hedge relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to contract assets under HKFRS 15 Revenue from Contracts with Customers, loan commitments and certain financial guarantee contracts.

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.

(ii) HKFRS 15, "Revenue from contracts with customers"

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

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. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 August 2018.

Management has identified the following areas that are likely to be affected:

- the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue; and

- rights of return-HKFRS 15 requires separate presentation on the consolidated statement of financial position of the right to recover the goods from the customer and the refund obligation.

The directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group's consolidated financial statements. Management will make more detailed assessments of the impact over the next twelve months.

(iii) HKFRS 16, "Leases"

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.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB4,288,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for the Group for annual reporting period beginning on or after 1 August 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2. Segment information

The chief operating decision-maker has been identified as the most senior executive management of the Company. The senior executive management reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The senior executive management assesses the performance of the single operating segment based on a measure of profit before share of results of an associate, finance income, finance costs and income tax expense. The senior executive management assesses the performance of the following three reportable segments and regards them being the 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

Revenue for the year consists of the following:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Plastic injection and moulding	**552,578**	503,483
Assembling of electronic products	**646,787**	319,151
Mould design and fabrication	**71,360**	61,593
	1,270,725	884,227

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

(i) Segment results, assets and liabilities

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 other than interest in an associate, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, accruals, bills payables and finance lease liabilities attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. 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 regarding "segment result", management is provided with other segment information in relation to 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 years ended 31 July 2017 and 2016 is set out below.

	Plastic injection and moulding		**Assembling of electronic products**		**Mould design and fabrication**		**Consolidated**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**552,578**	503,483	**646,787**	319,151	**71,360**	61,593	**1,270,725**	884,227
Reportable segment result	**52,406**	40,132	**55,684**	37,000	**13,523**	11,088	**121,613**	88,220
Other segment information								
Year ended 31 July								
Depreciation and amortisation for the year	**25,617**	26,568	**16,899**	10,286	**5,441**	5,402	**47,957**	42,256
Write-back of provision for impairment of receivables	**(283)**	(476)	**–**	–	**–**	–	**(283)**	(476)
(Write-back of provision)/provision for impairment of inventories	**(67)**	(557)	**(1,154)**	2,387	**175**	77	**(1,046)**	1,907
Addition to non-current segment assets during the year	**33,418**	77,340	**28,523**	10,481	**9,242**	599	**71,183**	88,420
As at 31 July								
Reportable segment assets	**559,801**	529,952	**165,098**	116,560	**72,557**	66,451	**797,456**	712,963
Reportable segment liabilities	**173,298**	162,416	**120,601**	51,808	**11,419**	7,716	**305,318**	221,940

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2017 *RMB'000*	2016 *RMB'000*
Revenue		
Reportable segment revenue	**1,270,725**	884,227
Consolidated revenue	**1,270,725**	884,227
Profit or loss		
Reportable segment profit	**121,613**	88,220
Net loss on forward foreign exchange contracts	**–**	(452)
Finance income	**1,787**	385
Finance costs	**(14,163)**	(12,139)
Unallocated depreciation and amortisation	**(7,116)**	(6,854)
Unallocated head office and corporate expenses	**(68,678)**	(58,786)
Provision for impairment of deposits	**–**	(34,000)
Share of (loss)/profit of an associate	**(9,846)**	2,531
Consolidated profit/(loss) before income tax	**23,597**	(21,095)
Assets		
Reportable segment assets	**797,456**	712,963
Interest in an associate	**17,274**	15,884
Deferred income tax assets	**1,704**	2,221
Unallocated head office and corporate assets	**252,777**	163,785
Consolidated total assets	**1,069,211**	894,853
Liabilities		
Reportable segment liabilities	**305,318**	221,940
Deferred income tax liabilities	**932**	567
Unallocated head office and corporate liabilities	**336,754**	272,454
Consolidated total liabilities	**643,004**	494,961

The Group's business is operated in five (2016: five) major economic environments.

Revenue from external customers is analysed as follows:

	2017 *RMB'000*	2016 *RMB'000*
Mainland China	**882,520**	516,879
United States of America	**184,214**	184,251
Europe	**163,399**	145,623
Hong Kong	**22,672**	25,789
South East Asia	**17,016**	11,211
Others	**904**	474
	1,270,725	884,227

3. Other income and other losses – net

	2017 *RMB'000*	2016 *RMB'000*
Other income		
Rental income	**1,291**	5,222
Sales of scrap materials	**1,361**	512
Sundry income	**2,919**	1,919
	5,571	7,653
Other losses – net		
Net foreign exchange loss	**(2,040)**	(3,197)
Net loss on forward foreign exchange contracts	**–**	(452)
Net loss on disposal of property, plant and equipment	**(2,697)**	(1,179)
Provision for impairment of deposits	**–**	(34,000)
	(4,737)	(38,828)

4. Operating profit/(loss)

The Group's operating profit/(loss) is arrived at after charging/(crediting) the following:

	2017	2016
	RMB'000	*RMB'000*
Amortisation of land use rights	**507**	507
Auditors' remuneration		
– Audit services	**1,924**	1,846
– Non-audit services	**223**	148
Cost of sales	**1,057,346**	735,155
Depreciation	**54,566**	48,603
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	**8,554**	8,535
(Write-back of provision)/provision for impairment of		
– trade receivables	**(283)**	(476)
– inventories	**(1,046)**	1,907
Provision for impairment of deposits	**–**	34,000
Staff costs	**230,275**	174,513

Cost of sales included staff costs, depreciation, and operating lease charges, amounting to RMB182,869,000 (2016: RMB149,540,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of the expenses.

5. Finance costs – net

	2017	2016
	RMB'000	*RMB'000*
Finance income		
Bank interest income	**(1,787)**	(385)
Finance costs		
Interest on bank borrowings	**12,689**	9,880
Less: borrowing costs capitalised as construction in progress *(Note)*	**(676)**	(32)
	12,013	9,848
Other finance charges	**2,150**	2,291
	14,163	12,139
Finance costs – net	**12,376**	11,754

Note: During the year ended 31 July 2017, borrowing costs had been capitalised at the Group's weighted average effective interest rate of 4.3% per annum (2016: 3.6% per annum) for construction in progress.

6. Income tax expense

	2017	2016
	RMB'000	*RMB'000*
Current income tax		
Provision for the year	**8,974**	9,707
Deferred income tax		
Origination and reversal of temporary differences	**1,139**	1,701
	10,113	11,408

No provision has been made for Hong Kong profits tax as the Group did not earn income which is subject to Hong Kong profits tax during the years ended 31 July 2017 and 2016.

The Group's subsidiaries established in the People's Republic of China ("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 and the British Virgin Islands.

7. Dividends

No dividend has been paid or declared by the Company for the years ended 31 July 2017 and 2016.

8. Earnings/(loss) per share

(a) Basic

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of RMB13,484,000 (2016: loss of RMB32,503,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) attributable to owners of the Company	**13,484**	(32,503)

	2017	2016
		(Restated)
Weighted average number of ordinary shares in issue *('000)*	**1,898,746**	1,888,173
Basic earnings/(loss) per share *(RMB cents)*	**0.71**	(1.72)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options.

	2017
Profit attributable to owners of the Company *(RMB'000)*	**13,484**
Weighted average number of ordinary shares in issue *('000)*	**1,898,746**
Adjustment for share options *('000)*	**1,196**
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,899,942**
Diluted earnings per share *(RMB cent)*	**0.71**

The weighted average number of ordinary share in issue during the year and the comparative period for basic and diluted earnings/(loss) per share were adjusted with the effect of bonus element of the rights issue which was completed on 12 September 2017.

For the year ended 31 July 2016, diluted loss per share equal loss per share as the exercise of the outstanding share options would be anti-dilutive.

9. Trade and other receivables

	2017 *RMB'000*	2016 *RMB'000*
Trade receivables	**154,173**	148,441
Bills receivables	**64,914**	51,910
Trade and bills receivables – gross	**219,087**	200,351
Less: Provision for impairment	**(1,645)**	(5,251)
Trade and bills receivables – net	**217,442**	195,100
Other receivables, prepayments and deposits	**83,969**	72,151
Less: Provision for impairment *(Note)*	**(34,000)**	(34,000)
Other receivables, prepayments and deposits – net	**49,969**	38,151
Less: Prepayments and deposits (non-current)	**(11,420)**	(9,772)
Total trade and other receivables (current)	**255,991**	223,479

Note:

Included in “other receivables, prepayments and deposits” were deposits of RMB34,000,000 (“Deposits”) in relation to a conditional acquisition agreement (as supplemented) (“Agreement”) entered into with a third party vendor (“Vendor”) on 5 February 2015 to acquire from the Vendor 20% equity interest of a company involved in a solar energy project in Inner Mongolia, 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 consolidated financial statements, 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 legal proceedings against the Vendor regarding the full refund of Deposits and the relevant interests.

The ageing analysis of the Group’s trade and bills receivables is as follows:

	2017	2016
	RMB’000	*RMB’000*
Neither past due nor impaired	**207,956**	187,615
Past due for:		
Less than 1 month	**5,419**	2,906
1 to 3 months	**2,559**	1,958
More than 3 months	**3,153**	7,872
	11,131	12,736
	219,087	200,351

10. Bank deposits

	2017	2016
	RMB’000	*RMB’000*
Pledged deposits with banks *(Note)*	**70,670**	12,986

Note:

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

11. Trade and other payables

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**224,760**	154,926
Bills payables	**–**	7,211
Trade and bills payables	**224,760**	162,137
Payables for the purchase of property, plant and equipment	**18,321**	14,923
Accrued expenses and other payables	**53,091**	49,445
Receipts in advance	**41,223**	8,188
Trade and other payables	**337,395**	234,693

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

	2017	2016
	RMB'000	*RMB'000*
Less than 1 month	**58,250**	49,620
1 to 3 months	**103,784**	72,750
More than 3 months	**62,726**	39,767
	224,760	162,137

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

INDUSTRY OVERVIEW

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

FINANCIAL REVIEW

Revenue, Gross Profit and Segment Results

During the financial year, the Group recorded a revenue of RMB1,270.73 million, representing a significant increase of RMB386.50 million or 43.71% from RMB884.23 million in the previous year. The major contributor of the Group's revenue was its assembling of electronics products division which accounted for 50.90% (2016: 36.09%) of the Group's revenue, and the remaining from plastic injection and moulding division and mould design and fabrication division which accounted for 43.48% (2016: 56.94%) and 5.62% (2016: 6.97%) of the Group's revenue respectively.

In line with the Group's two-pronged strategy of focusing on higher value-added products and developing its ODM products, gross profit increased by RMB64.31 million and recorded at RMB213.38 million, representing 16.79% of its revenue during the financial year as compared to gross profit of RMB149.07 million, representing 16.86% of its revenue in the previous year.

Plastic Injection and Moulding

The Group recorded a revenue of RMB552.58 million for this segment as compared to RMB503.48 million for the corresponding financial year in 2016, representing an increase of RMB49.10 million or 9.75%.

The Group's operation in Zhuhai has contributed a revenue of RMB266.46 million as compared to RMB277.79 million in the previous year. Meanwhile, the Group's operation in Qingdao recorded a revenue of RMB286.12 million during the financial year, which represented an increase of 26.78% from RMB225.69 million in the previous financial year.

Assembling of Electronic Products

This segment recorded a revenue of RMB646.79 million, representing a significant increase of RMB327.64 million or 102.66% from RMB319.15 million for the corresponding financial year in 2016. The significant increase in revenue of this segment was mainly attributable to substantial increase in the amount of purchase orders of an ODM product placed by customers with the Group.

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB71.36 million, representing an increase of RMB9.76 million or 15.84% as compared to RMB61.60 million for the corresponding financial year in 2016.

Other Losses – Net

During the financial year, the Group incurred other net loss of RMB4.74 million (2016: RMB38.83 million), which comprised mainly net loss on disposal of property plant and equipment of RMB2.70 million and net foreign exchange loss of RMB2.04 million.

Distribution Costs

Distribution costs for the financial year amounted to RMB68.88 million, representing an increase of RMB15.88 million or 29.96% from RMB53.00 million in the previous financial year. The increase was in line with the increase in the revenue of the Group for the financial year.

General and Administrative Expenses

General and administrative expenses amounted to RMB99.52 million for the financial year, representing an increase of RMB22.75 million or 29.63% as compared to RMB76.77 million for the corresponding financial year in 2016. The increase was primarily due to the increase in equity settled share-based payment expenses of RMB9.34 million and research and development expenses of RMB7.73 million during the financial year.

Finance Costs – Net

The net finance costs for the year increased by 5.36% to RMB12.38 million (2016: RMB11.75 million). The increase was mainly due to higher interest-bearing borrowings during the financial year.

Share of (Loss)/Profit of an Associate

The Group's share of loss of an associate of RMB9.85 million (2016: profit of RMB2.53 million) was solely attributed to loss incurred by its associate in Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year, 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 July 2017, the Group had cash and bank deposits of RMB120.83 million (2016: RMB58.57 million), of which RMB70.67 million (2016: RMB12.99 million) was pledged to banks for the facilities granted to the Group. 27.02%, 72.38% and 0.59% of cash and bank deposits are denominated in United States dollars ("**USD**"), Renminbi ("**RMB**") and Hong Kong dollars ("**HK$**"), respectively.

As at 31 July 2017, the Group had outstanding interest-bearing borrowings including finance lease liabilities of RMB294.58 million (2016: RMB250.19 million). The total borrowings including finance lease liabilities were denominated in USD (51.18%), RMB (41.81%) and HK$ (7.01%), and the maturity profile is as follows:

Repayable	**As at 31 July 2017**		As at 31 July 2016	
	RMB million	***%***	*RMB million*	*%*
Within one year	**245.61**	**83.38**	164.79	65.87
After one year but within two years	**41.36**	**14.04**	39.84	15.92
After two years but within five years	**7.61**	**2.58**	45.56	18.21
Total borrowings including finance lease liabilities	**294.58**	**100.00**	250.19	100.00
Cash and bank deposits	**(120.83)**		(58.57)	
Net borrowings including finance lease liabilities	**173.75**		191.62	

The total net interest-bearing borrowings including finance lease liabilities of the Group recorded at RMB173.75 million (2016: RMB191.62 million), representing 16.25% (2016: 21.41%) of total assets and 40.77% (2016: 47.92%) of total equity.

The Group monitors its capital on the basis of its gearing ratio. The gearing ratio is calculated as the Group's net borrowings at the end of the financial year divided by total capital at the end of the financial year. Net borrowings of the Group is calculated as its total borrowings including finance lease liabilities less cash and bank deposits. Total capital is calculated as total equity attributable to owners of the Company plus net borrowings including finance lease liabilities. The gearing ratio of the Group was 28.96% as at 31 July 2017 (2016: 32.39%).

As at 31 July 2017, the Group's net current liabilities were RMB69.67 million (2016: RMB15.70 million). As at 31 July 2017, the Group has undrawn bank facilities of RMB95.59 million for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2017, the Group's total equity attributable to owners of the Company was RMB426.21 million (2016: RMB399.89 million). Total assets of the Group amounted to RMB1,069.21 million (2016: RMB894.85 million), 48.20% (2016: 52.93%) of which comprised property, plant, equipment and land use rights.

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

During the financial year, the Group did not conduct any significant investments, material acquisitions or disposal. Save for those disclosed in this results announcement, the Group does not have any concrete plan for material investments or capital assets as at the date of this results announcement.

SIGNIFICANT INVESTMENTS HELD

During the financial year, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITY

The Group does not have material contingent liability as at 31 July 2017.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk 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 financial year, the Group has made net foreign exchange losses of RMB2.04 million (2016: RMB3.65 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 financial year, 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 financial year 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 July 2017, the Group had a total of 2,894 employees (2016: 2,687). During the financial year, the Group did not make significant changes to the Group's remuneration policies. Human resources expenses of the Group (excluding the Directors' remuneration and equity settled share-based payment expenses) for the financial year amounted to RMB207.88 million (2016: RMB162.68 million). The increase in human resources expenses was mainly due to the increase in the number of employees during the financial year 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 publicly listed entity, the Group has adopted a share option scheme to provide incentives to eligible directors and employees to participate in the Group's success.

DIVIDENDS

The Board does not recommend any dividend payment for the financial year ended 31 July 2017 (2016: nil).

FUTURE PROSPECTS AND CHALLENGES

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 Group increased, in particular, the assembling of related health care products business segment.

The Group would continue to strengthen its revenue base by focusing on assembling of home health care related products and constantly explore new customers to diversify its customer base in this segment. In line with such strategy, the Group plans to deploy more resources on building complimentary seasonal products on the usage of high tonnage injection machinery to widen its available product range and increase its overall utilization level. The expansion of production capacity of the assembly lines to enhance its production efficiency.

To alleviate the pressure from increasing labour cost in China, the Group would continue to invest in automated infrastructure to streamline the manufacturing process, reduce dependency on labour and to maintain high product quality.

The Group would continue to explore different initiatives, including but not limited to merger and acquisition, disposal and cooperation, to enhance the performance of each business segment at each geographical area.

EVENTS AFTER THE REPORTING DATE

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 of Hong Kong Limited ("**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 announcement, RMB7.02 million (equivalent to HK$8.33 million) and RMB4.01 million (equivalent to HK$4.76 million) have been used for repayment of short term bank borrowings and payment of purchase of equipment and machineries respectively. 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.

Adjustments were made to the exercise prices and the number of share options which were outstanding after the completion of rights issue with reference to the announcement of the Company dated 11 September 2017.

On 13 September 2017, V.S. Technology Industry Park (Zhuhai) Co., Ltd., VSA Electronics Technology (Zhuhai) Co., Ltd. and V.S. Industry (Zhuhai) Co., Ltd. (as tenants) entered into a lease agreement with V.S. (Zhuhai) Management Co., Ltd. (as landlord) for leasing 19 blocks of residential buildings for a term of three years commencing from 1 August 2017. The transaction constituted a continuing connected transaction for the Company but is exempted from the independent shareholders' approval requirements. Please refer to the announcement of the Company dated 13 September 2017 for details.

Save as disclosed above, there is no important event affecting the Group which has occurred since the end of the financial year.

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

During the year ended 31 July 2017, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's annual financial results for the year ended 31 July 2017 and is of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

According to Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Beh Kim Ling and Mr. Gan Sem Yam are the Chairman and Managing Director of the Company respectively. Mr. Beh Kim Ling, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations. This constitutes a deviation from Code Provision A.2.1 as part of his duties overlap with those of the Managing Director, who is in practice the chief executive. 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.

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 the 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 year with the SD Code or Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2017.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and gratitude to the Company's shareholders, bankers, customers, suppliers, business associates and regulatory authorities for their confidence and continuous support to the Group. I also wish to take this opportunity to thank my fellow Directors, the management team, staff and employees for their full commitment, loyalty and dedication to the Group, which enabled us to overcome the challenges encountered during the year.

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

Macau, the PRC
23 September 2017

List of all Directors as at the date of this announcement:

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

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

Non-executive Director:
Mr. Gan Tiong Sia