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

(incorporated in the Cayman Islands with limited liability)

(stock code: 1002)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2019

INTRODUCTION

The board ("**Board**") of directors ("**Directors**") of V.S. International Group Limited ("**Company**") would like to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 January 2019, which have been reviewed by the audit committee ("**Audit Committee**") of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 JANUARY 2019

		Unaudited	
		Six months ended 31 January	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**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	*3*	**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	*5(a)*	**(7,117)**	(6,077)
Share of loss of an associate		**–**	(4,555)
(Loss)/profit before income tax	*5*	**(27,588)**	7,144
Income tax expense	*6*	**(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	*8(a)*	**(1.32)**	0.23
Diluted	*8(b)*	**(1.32)**	0.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 JANUARY 2019

	Note	**Unaudited At 31 January 2019** ***RMB'000***	Audited At 31 July 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**455,066**	463,488
Land use rights		**13,550**	13,751
Available-for-sale investment		**–**	8,198
Financial asset at fair value through other comprehensive income		**8,198**	–
Prepayments and deposits	*9*	**7,916**	18,349
Deferred income tax assets		**468**	466
		485,198	504,252
Current assets			
Inventories		**62,868**	115,881
Trade and other receivables	*9*	**168,798**	205,210
Amounts due from related parties		**6,580**	9,550
Bank deposits		**86,723**	68,024
Cash and cash equivalents		**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		**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

	Note	**Unaudited At 31 January 2019** ***RMB'000***	Audited At 31 July 2018 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		–	5,880
Finance lease liabilities		**7,494**	4,683
Deferred income tax liabilities		**2,746**	1,782
		10,240	12,345
Current liabilities			
Trade and other payables	*10*	**130,484**	227,455
Amounts due to related parties		**1,234**	1,433
Borrowings		**229,004**	252,369
Finance lease liabilities		**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

Notes:

1 Basis of preparation and accounting policies

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

(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.

(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 balance sheet (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 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 profits	12,876	–	6,510	19,386

(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.

(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.

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**

(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

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 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.

2 Segment reporting

The Group manages its business by division, which is organised by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Plastic injection and moulding	:	manufacturing and sale of plastic moulded products and parts
Assembling of electronic products	:	assembling and sale of electronic products, including processing fees generated from assembling of electronic products
Mould design and fabrication	:	manufacturing and sale of plastic injection moulds

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets excluding interest in an associate, financial asset at fair value through comprehensive income, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, accruals and bills payables attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

(a) Segment results, assets and liabilities

The measure used for reporting segment profit is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

In addition to receiving segment information concerning "segment result", management is provided with segment information concerning revenue (including inter-segment sales), depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Plastic injection and moulding		**Assembling of electronic products**		**Mould design and fabrication**		**Consolidated**	
	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

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

	Unaudited Six months ended 31 January 2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment revenue	**363,945**	659,701
Consolidated revenue	**363,945**	659,701

	Unaudited Six months ended 31 January 2019 RMB'000	2018 RMB'000
Segment result		
Reportable segment profit	**9,515**	46,519
Share of loss of an associate	**–**	(4,555)
Finance costs – net *(Note 5(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

	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

(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

3 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 4)*	**4,052**	1,385
	534	3,999

4 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 People's Republic of China ("**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

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)
Net assets disposed of	79,512

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)
	72,699
Cash and cash equivalents disposed of	(8,336)
Net proceeds on disposal of a subsidiary	64,363

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	4,052

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	26,716

5 (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)

6 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.

7 Dividends

(i) Dividends payable to owners of the Company attributable to the interim period

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 January 2019 and 2018.

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

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

8 (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 *('000)*	**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**

9 Trade and other receivables

	Unaudited At 31 January 2019	Audited At 31 July 2018
	RMB'000	*RMB'000*
Trade receivables	**142,663**	168,387
Bills receivable	**5,050**	3,550
Trade and bills receivables – gross	**147,713**	171,937
Less: Provision for impairment	**(585)**	(757)
Trade and bills receivables – 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.

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

	Unaudited At 31 January 2019 *RMB'000*	Audited At 31 July 2018 *RMB'000*
Neither past due nor impaired	**136,375**	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
	147,713	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 customer.

10 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 and bills payable 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 month to 3 months	**38,137**	70,722
More than 3 months	**12,930**	21,720
	72,519	134,150

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.

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.

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:

	As at 31 January 2019		As at 31 July 2018	
Repayable	***RMB million***	*%*	*RMB million*	*%*
	(Unaudited)		(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%).

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 results announcement, 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.

DIVIDENDS

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

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.

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in this interim results announcement, 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 results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry 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

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