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 2018

HIGHLIGHTS

- Revenue decreased by 12.19% to RMB1,115.88 million;
- Loss for the year attributable to owners of the Company was RMB8.85 million;
- Basic loss per share was 0.39 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 2018, 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 2018 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 2018 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 2018

	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*2*	**1,115,885**	1,270,725
Cost of sales		**(966,302)**	(1,057,346)
Gross profit		**149,583**	213,379
Other income	*3*	**8,716**	5,571
Other gains/(losses) – net	*3*	**2,901**	(4,737)
Distribution costs		**(45,907)**	(68,879)
General and administrative expenses		**(97,576)**	(99,515)
Operating profit	*5*	**17,717**	45,819
Finance income		**881**	1,787
Finance costs		**(13,847)**	(14,163)
Finance costs – net	*6*	**(12,966)**	(12,376)
Share of loss of an associate		**(17,274)**	(9,846)
(Loss)/profit before income tax		**(12,523)**	23,597
Income tax credit/(expense)	*7*	**3,672**	(10,113)
(Loss)/profit for the year attributable to owners of the Company		**(8,851)**	13,484

		2018	2017
		RMB cent	*RMB cent*
(Loss)/earnings per share attributable to owners of the Company during the year			
Basic	*9*	**(0.39)**	0.71
Diluted	*9*	**(0.39)**	0.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2018

	Note	As at 31 July 2018 RMB'000	As at 31 July 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**463,488**	497,318
Land use rights		**13,751**	18,069
Interest in an associate		**–**	17,274
Prepayments and deposits	*10*	**18,349**	11,420
Available-for-sale investment	*4*	**8,198**	–
Deferred income tax assets		**466**	1,704
		504,252	545,785
Current assets			
Inventories		**115,881**	132,762
Trade and other receivables	*10*	**205,210**	255,991
Amounts due from related parties		**9,550**	13,843
Bank deposits	*11*	**68,024**	70,670
Cash and cash equivalents		**86,159**	50,160
		484,824	523,426
Assets classified as held-for-sale	*12*	**22,664**	–
Total assets		**1,011,740**	1,069,211
EQUITY			
Capital and reserves			
Share capital		**105,013**	85,311
Share premium		**306,364**	236,590
Reserves		**98,911**	104,306
Total equity attributable to owners of the Company		**510,288**	426,207

	Note	As at 31 July 2018 RMB'000	As at 31 July 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**5,880**	46,164
Finance lease liabilities		**4,683**	2,813
Deferred income tax liabilities		**1,782**	932
		12,345	49,909
Current liabilities			
Trade and other payables	*13*	**227,455**	337,395
Amounts due to related parties		**1,433**	1,753
Borrowings		**252,369**	243,927
Finance lease liabilities		**6,031**	1,683
Tax payables		**1,819**	8,337
		489,107	593,095
Total liabilities		**501,452**	643,004
Total equity and liabilities		**1,011,740**	1,069,211

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 as modified by the revaluation of available-for-sale investment, which is carried at fair value.

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.

(a) Effect of adopting amendments to existing standards

The following amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 August 2017:

Standards	Subject of amendments
Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	Annual improvements to HKFRSs 2014-2016 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 interpretations that are not yet effective and have not been early adopted by the Group

Standards	Subject of amendments
Amendments to HKFRS 1 and HKAS 28	Annual improvements to HKFRSs 2014-2016 Cycle (1)
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions (1)
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts (1)
HKFRS 9 (Note (i))	Financial instruments (1)
HKFRS 15 (Note (ii))	Revenue from contracts with customers (1)
Amendments to HKFRS 15 (Note (ii))	Clarification to HKFRS 15 (1)
Amendments to HKAS 40	Transfers of investment property (1)
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration (1)
HKFRS 16 (Note (iii))	Leases (2)
Amendments to HKFRS 9	Prepayment features with negative compensation (2)
HK(IFRIC)-Int 23	Uncertainty over income tax treatments (2)
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual improvements to HKFRSs 2015-2017 Cycle (2)
Amendments to HKAS 19	Employee benefits: Plan amendment, curtailment or settlement (2)
Amendments to HKAS 28	Long-term interests in an associate or joint venture (2)
HKFRS 17	Insurance contracts (3)
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture (4)

(1) Effective for the Group for annual period beginning on or after 1 August 2018.
(2) Effective for the Group for annual period beginning on or after 1 August 2019.
(3) Effective for the Group for annual period beginning on or after 1 August 2021.
(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, amendments to standards and interpretations. The Group will adopt the new standards, amended standards and interpretations when they become effective.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 August 2018 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"*

Nature of change

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

Impact

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

The financial assets held by the Group include:

- Equity investments is currently classified as available-for-sale for which a fair value through other comprehensive income ("**FVOCI**") election is available.

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

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. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

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

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 August 2018, with the practical expedients permitted under the standard. Comparative figures as at and for the year ended 31 July 2018 will not be restated.

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

Nature of change

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

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

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

Impact

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and 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.

Management is in the process of quantifying the potential effects on its consolidated financial statements.

Date of adoption by Group

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

(iii) HKFRS 16, *"Leases"*

Nature of change

HKFRS 16 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.

Impact

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 approximately RMB4,078,000. Upon adoption of HKFRS16 the majority of operating lease commitments will be recongised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

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.

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.

Date of adoption by Group

It is mandatory for financial years commencing on or after 1 January 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.

2. Segment information

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

The CODM 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 CODM 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:

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Plastic injection and moulding	**504,558**	552,578
Assembling of electronic products	**546,063**	646,787
Mould design and fabrication	**65,264**	71,360
	1,115,885	1,270,725

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM 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, available-for-sale investment, 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", CODM 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 CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 July 2018 and 2017 is set out below.

	Plastic injection and moulding		**Assembling of electronic products**		**Mould design and fabrication**		**Consolidated**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**504,558**	552,578	**546,063**	646,787	**65,264**	71,360	**1,115,885**	1,270,725
Reportable segment result	**22,119**	52,406	**49,199**	55,684	**8,264**	13,523	**79,582**	121,613
Other segment information								
Year ended 31 July								
Depreciation and amortisation for the year	**23,354**	25,617	**13,003**	16,899	**4,144**	5,441	**40,501**	47,957
(Write-back of provision)/provision for impairment of receivables	**(446)**	(283)	**12**	–	**–**	–	**(434)**	(283)
Provision for impairment/(write-back of provision) of inventories	**264**	(67)	**8,302**	(1,154)	**362**	175	**8,928**	(1,046)
Addition to non-current segment assets during the year	**42,199**	33,418	**21,275**	28,523	**4,409**	9,242	**67,883**	71,183
As at 31 July								
Reportable segment assets	**470,246**	559,801	**184,607**	165,098	**55,437**	72,557	**710,290**	797,456
Reportable segment liabilities	**115,751**	173,298	**85,484**	120,601	**5,577**	11,419	**206,812**	305,318

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

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,115,885**	1,270,725
Consolidated revenue	**1,115,885**	1,270,725
Profit or loss		
Reportable segment profit	**79,582**	121,613
Finance income	**881**	1,787
Finance costs	**(13,847)**	(14,163)
Unallocated depreciation and amortisation	**(9,469)**	(7,116)
Unallocated head office and corporate expenses	**(52,396)**	(68,678)
Share of loss of an associate	**(17,274)**	(9,846)
Consolidated (loss)/profit before income tax	**(12,523)**	23,597
Assets		
Reportable segment assets	**710,290**	797,456
Interest in an associate	**–**	17,274
Deferred income tax assets	**466**	1,704
Available-for-sale investment	**8,198**	–
Unallocated head office and corporate assets	**292,786**	252,777
Consolidated total assets	**1,011,740**	1,069,211
Liabilities		
Reportable segment liabilities	**206,812**	305,318
Deferred income tax liabilities	**1,782**	932
Unallocated head office and corporate liabilities	**292,858**	336,754
Consolidated total liabilities	**501,452**	643,004

The Group's business is operated in five (2017: five) major economic environments.

Revenue from external customers by economic environments is analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**708,522**	882,520
United States of America	**155,604**	184,214
Europe	**155,128**	163,399
Hong Kong	**81,468**	22,672
South East Asia	**15,158**	17,016
Others	**5**	904
	1,115,885	1,270,725

3. Other income and other gains/(losses) – net

	2018	2017
	RMB'000	*RMB'000*
Other income		
Rental income	**507**	1,291
Sales of scrap materials	**1,815**	1,361
Government grants	**6,394**	2,919
	8,716	5,571
Other gains/(losses) – net		
Net foreign exchange gains/(loss)	**2,983**	(2,040)
Net loss on disposal of property, plant and equipment	**(1,467)**	(2,697)
Gain on disposal of a subsidiary (Note 4)	**1,385**	–
	2,901	(4,737)

4. Gain on disposal of a subsidiary

During the year ended 31 July 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 is 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 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 directly 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 directly attributable to the disposal	(39)
	72,699
Cash and cash equivalents disposed of	(8,336)
Net proceeds on disposal of a subsidiary	64,363

5. Operating profit

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

	2018 *RMB'000*	2017 *RMB'000*
Amortisation of land use rights	**484**	507
Auditors' remuneration		
– Audit services	**1,811**	1,924
– Non-audit services	**867**	223
Cost of sales	**966,302**	1,057,346
Depreciation	**49,486**	54,566
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	**8,532**	8,554
(Write-back of provision)/provision for impairment of		
– trade receivables	**(434)**	(283)
– inventories	**8,928**	(1,046)
Staff costs	**232,749**	230,275

Cost of sales included staff costs, depreciation, and operating lease charges, amounting to RMB183,563,000 (2017: RMB182,869,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of expense.

6. Finance costs – net

	2018 *RMB'000*	2017 *RMB'000*
Finance income		
Bank interest income	**(881)**	(1,787)
Finance costs		
Interest on bank borrowings	**11,765**	12,689
Finance charges on obligation under finance lease	**1,349**	–
Less: borrowing costs capitalised as construction in progress *(Note)*	**(1,336)**	(676)
	11,778	12,013
Other finance charges	**2,069**	2,150
	13,847	14,163
Finance costs – net	**12,966**	12,376

Note: During the year ended 31 July 2018, borrowing costs had been capitalised at the Group's weighted average effective interest rate of 5.3% per annum (2017: 4.3% per annum) for construction in progress.

7. Income tax credit/(expense)

	2018	2017
	RMB'000	*RMB'000*
Current income tax		
Current PRC corporate income tax	**(290)**	(8,974)
Adjustment to provision in respect of prior year *(Note)*	**5,943**	–
Deferred income tax		
Origination and reversal of temporary differences	**(1,981)**	(1,139)
	3,672	(10,113)

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 2018 and 2017.

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, followed 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 from 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 and the British Virgin Islands.

Note:

On 28 November 2008, the Group undertook certain group restructuring transactions, the transfer of equity interests is subject to withholding tax in the PRC at the rate of 10% made on the terms equivalent to those that prevail on an arm's length basis. As a result, the Group had recognised a provision for withholding tax of RMB6,600,000, with the corresponding charge to income tax, for the year ended 31 July 2009 in respect of these group restructuring transactions. During the year ended 31 July 2018, the Group disposed of its 90% equity interest in Qingdao GS and accordingly, the relevant provision amount in respect of Qingdao GS of RMB5,943,000 was reversed.

8. Dividends

No dividend has been paid or declared by the Company for the years ended 31 July 2018 and 2017.

9. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of RMB8,851,000 (2017: profit of RMB13,484,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to owners of the Company	**(8,851)**	13,484

	2018	2017
Weighted average number of ordinary shares in issue *('000)*	**2,253,081**	1,898,746
Basic (loss)/earnings per share *(RMB cent)*	**(0.39)**	0.71

(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 year ended 31 July 2018, diluted loss per share equals basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

For the year ended 31 July 2017, diluted earnings per share are as follows:

	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

10. Trade and other receivables

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**168,387**	154,173
Bills receivables	**3,550**	64,914
Trade and bills receivables – gross	**171,937**	219,087
Less: Provision for impairment	**(757)**	(1,645)
Trade and bills receivables – net	**171,180**	217,442
Other receivables, prepayments and deposits	**86,379**	83,969
Less: Provision for impairment (Note)	**(34,000)**	(34,000)
Other receivables, prepayments and deposits – net	**52,379**	49,969
Less: Prepayments and deposits (non-current)	**(18,349)**	(11,420)
Total trade and other receivables (current)	**205,210**	255,991

Note:

Included in "other receivables, prepayments and deposits" were deposits of RMB34,000,000 ("**Deposits**") in relation to a conditional acquisition agreement (as supplemented) ("**Agreement**") entered into with a third party vendor ("**Vendor**") on 5 February 2015 to acquire from the Vendor 20% equity interest of a company involved in a solar energy project in Inner Mongolia, the PRC, for a consideration of RMB44,000,000 subject to fulfilment of certain conditions set out therein. In addition, under the Agreement, upon completion of the acquisition of the 20% equity interest, the Group would be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the target company at its sole discretion.

On 1 November 2015, the Agreement lapsed as certain conditions as set out in the Agreement had not been fulfilled. The Group has been in discussions with the Vendor regarding the full refund of the 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 the 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 July 2018 and 2017. The Group is under a legal proceeding against the Vendor regarding the full refund of Deposits and the relevant interests.

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

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**161,645**	207,956
Past due for:		
Less than 1 month	**5,058**	5,419
1 to 3 months	**3,941**	2,559
More than 3 months	**1,293**	3,153
	10,292	11,131
	171,937	219,087

11. Bank deposits

	2018	2017
	RMB'000	*RMB'000*
Pledged deposits with banks *(Note)*	**68,024**	70,670

Note:

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

12. Assets classified as held-for-sale

(i) Description

On 19 July 2018, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in Qingdao GP Electronic Plastics Co., Ltd ("**Qingdao GP**"), a wholly-owned subsidiary, for a total cash consideration of RMB27,000,000. The associated assets were consequently presented as assets classified as held-for-sale as at 31 July 2018.

(ii) Assets classified as held-for-sale

The following assets were reclassified as held-for-sale as at 31 July 2018:

	2018
	RMB'000
Assets classified as held-for-sale	
Plant and buildings	**19,755**
Land use right	**2,909**
	22,664

13. Trade and other payables

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**134,150**	224,760
Payables for the purchase of property, plant and equipment	**15,802**	18,321
Accrued expenses and other payables	**64,606**	53,091
Receipts in advance	**12,897**	41,223
Trade and other payables	**227,455**	337,395

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

	2018	2017
	RMB'000	*RMB'000*
Less than 1 month	**41,708**	58,250
1 to 3 months	**70,722**	103,784
More than 3 months	**21,720**	62,726
	134,150	224,760

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

INDUSTRY OVERVIEW

During the financial year, the Group continued to implement its strategies to focus on higher value-added products.

FINANCIAL REVIEW

Revenue, Gross Profit and Segment Results

During the financial year, the Group recorded a revenue of RMB1,115.88 million, representing a decrease of RMB154.85 million or 12.19% from RMB1,270.73 million in the previous year. The major contributor of the Group's revenue was still its assembling of electronics products division which accounted for 48.93% (2017: 50.90%) of the Group's revenue, and the remaining from plastic injection and moulding division and mould design and fabrication division which accounted for 45.22% (2017: 43.48%) and 5.85% (2017: 5.62%) of the Group's revenue respectively.

Gross profit decreased by RMB63.80 million and recorded at RMB149.58 million, representing 13.40% of its revenue during the financial year as compared to gross profit of RMB213.38 million, representing 16.79% of its revenue in the previous year.

Plastic Injection and Moulding

The Group recorded a revenue of RMB504.56 million for this segment as compared to RMB552.58 million for the corresponding financial year in 2017, representing a decrease of RMB48.02 million or 8.69%. The decrease was mainly due to the deconsolidation of financial results of Qingdao GS from January 2018 upon the disposal of 90% equity interest in Qingdao GS.

Assembling of Electronic Products

This segment recorded a revenue of RMB546.06 million, representing a decrease of RMB100.73 million or 15.57% from RMB646.79 million for the corresponding financial year in 2017.

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB65.26 million, representing a decrease of RMB6.10 million or 8.55% as compared to RMB71.36 million for the corresponding financial year in 2017.

Other Gains/(Losses) – Net

During the financial year, the Group recorded other net gains of RMB2.90 million as compared to net losses of RMB4.74 million for the corresponding financial year in 2017, which comprised mainly net gains on disposal of a subsidiary of RMB1.39 million, net foreign exchange gains of RMB2.98 million which were offset by net loss on disposal of property plant and equipment of RMB1.47 million.

Distribution Costs

Distribution costs for the financial year amounted to RMB45.91 million, representing a decrease of RMB22.97 million or 33.35% from RMB68.88 million in the previous financial year. The decrease was in line with the decrease in the revenue of the Group for the financial year.

General and Administrative Expenses

General and administrative expenses amounted to RMB97.58 million for the financial year, representing a slight decrease of RMB1.94 million or 1.95% as compared to RMB99.52 million for the corresponding financial year in 2017.

Finance Costs – Net

The net finance costs for the year increased by 4.77% to RMB12.97 million (2017: RMB12.38 million). The increase was mainly due to higher interest rate during the financial year.

Share of Loss of an Associate

The Group's share of loss of an associate of RMB17.27 million (2017: RMB9.85 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 2018, the Group had cash and bank deposits of RMB154.18 million (2017: RMB120.83 million), of which RMB68.02 million (2017: RMB70.67 million) was pledged to banks for the facilities granted to the Group. 49.75%, 49.88% and 0.35% of cash and bank deposits are denominated in United States dollars ("**USD**"), Renminbi ("**RMB**") and Hong Kong dollars ("**HK$**"), respectively.

As at 31 July 2018, the Group had outstanding interest-bearing borrowings including finance lease liabilities of RMB268.96 million (2017: RMB294.58 million). The total borrowings including finance lease liabilities were denominated in USD (38.11%), RMB (54.93%) and HK$ (6.96%), and the maturity profile is as follows:

Repayable	**As at 31 July 2018**		As at 31 July 2017	
	RMB million	***%***	*RMB million*	*%*
Within one year	**258.40**	**96.07**	245.61	83.38
After one year but within two years	**10.56**	**3.93**	41.36	14.04
After two years but within five years	–	–	7.61	2.58
Total borrowings including finance lease liabilities	**268.96**	**100.00**	294.58	100.00
Cash and bank deposits	**(154.18)**		(120.83)	
Net borrowings including finance lease liabilities	**114.78**		173.75	

The total net interest-bearing borrowings including finance liabilities of the Group recorded at RMB114.78 million (2017: RMB173.75 million), representing 11.34% (2017: 16.25%) of total assets and 22.49% (2017: 40.77%) 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 18.36% as at 31 July 2018 (2017: 28.96%).

As at 31 July 2018, the Group's net current assets were RMB18.38 million (2017: net current liabilities of RMB69.67 million). As at 31 July 2018, the Group has undrawn bank facilities of RMB71.61 million for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2018, the Group's total equity attributable to owners of the Company was RMB510.29 million (2017: RMB426.21 million). Total assets of the Group amounted to RMB1,011.74 million (2017: RMB1,069.21 million), 47.17% (2017: 48.20%) 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 disposed of its 90% equity interest in Qingdao GS to two independent third parties at a consideration of RMB73.78 million. Qingdao GS is principally engaged in the provision of manufacturing and selling of plastic molded products and parts in the PRC. Qingdao GS ceased to be a subsidiary of the Company upon completion of the disposal. Please refer to the announcement of the Company dated 10 November 2017 for more details. Furthermore, on 19 July 2018, the Group entered into the sale and purchase agreement with an independent third party in relation to dispose of its 100% equity interest in Qingdao GP Electronic Plastics Co., Ltd ("**Qingdao GP**") at a total cash consideration of RMB27.00 million. As at 31 July 2018, the disposal was not yet completed, Qingdao GP is currently dormant. Qingdao GP will cease to be a subsidiary of the Company upon completion of the disposal. Please refer to the announcement of the Company dated 19 July 2018 for further information.

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

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 2018.

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 gains of RMB2.98 million (2017: net losses of RMB2.04 million) mainly due to the fluctuation of USD against RMB.

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 2018, the Group had a total of 2,688 employees (2017: 2,894). 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 RMB217.35 million (2017: RMB207.88 million). The increase in human resources expenses was mainly due to 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 2018 (2017: nil).

FUTURE PROSPECTS AND CHALLENGES

The trade war between US and China escalating with the new tariffs scheduled to go into effect on 24 September 2018, will start at 10% and may increase to 25% on 1 January 2019. The trade war has created significant uncertainty in the business environment in China. At the moment, the management is unable to assess the impact of the trade war to the Group's operation. Nevertheless, the management will take precautionary actions to minimise any consequential impact to the Group.

EVENTS AFTER THE REPORTING DATE

There were no other significant events affecting the Company nor any of its subsidiaries after the reporting date as at 31 July 2018 requiring disclosure in this results announcement.

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

During the year ended 31 July 2018, 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 2018 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 2018.

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
22 September 2018

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