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## **V.S. INTERNATIONAL GROUP LIMITED**

**威 鉞 國 際 集 團 有 限 公 司**

*(incorporated in the Cayman Islands with limited liability)*

**(stock code: 1002)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2016**

#### **HIGHLIGHTS**

- Turnover decreased by 5.38% to RMB884.23 million;
- Loss for the year attributable to owners of the Company was RMB32.50 million;
- Basic loss per share was 1.78 Renminbi cents.

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 2016, 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 2016 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 2016 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 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
<b>Revenue</b>	2	<b>884,227</b>	934,472
Cost of sales		<u>(735,155)</u>	<u>(796,955)</u>
<b>Gross profit</b>		<b>149,072</b>	137,517
Other income	3	7,653	4,233
Other losses – net	3	(38,828)	(7,562)
Distribution costs		(53,001)	(53,893)
General and administrative expenses		<u>(76,768)</u>	<u>(77,317)</u>
<b>Operating (loss)/profit</b>	4	<b>(11,872)</b>	2,978
Finance income		385	719
Finance costs		<u>(12,139)</u>	<u>(13,841)</u>
Finance costs – net	5	<b>(11,754)</b>	(13,122)
Share of profit/(loss) of an associate		<u>2,531</u>	<u>(2,677)</u>
<b>Loss before income tax</b>		<b>(21,095)</b>	(12,821)
Income tax expense	6	<u>(11,408)</u>	<u>(10,345)</u>
<b>Loss for the year attributable to owners of the Company</b>		<b><u>(32,503)</u></b>	<b><u>(23,166)</u></b>
<b>Loss per share attributable to owners of the Company during the year (Renminbi cents)</b>			
Basic and diluted	8	<b><u>(1.78)</u></b>	<b><u>(1.37)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2016

	<i>Note</i>	<b>As at 31 July 2016 RMB'000</b>	<b>As at 31 July 2015 RMB'000 (Restated)</b>	<b>As at 1 August 2014 RMB'000 (Restated)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		455,100	422,881	440,271
Land use rights		18,576	19,083	19,590
Goodwill		–	–	2,302
Interest in an associate		15,884	13,353	16,030
Prepayments and deposits	9	9,772	73,431	812
Deferred income tax assets		2,221	3,486	2,451
		<u>501,553</u>	<u>532,234</u>	<u>481,456</u>
<b>Current assets</b>				
Inventories		94,869	102,579	140,180
Trade and other receivables	9	223,479	211,868	261,894
Amounts due from related parties		16,380	20,189	11,773
Bank deposits		12,986	17,821	26,490
Cash and cash equivalents		45,586	60,056	64,771
		<u>393,300</u>	<u>412,513</u>	<u>505,108</u>
<b>Total assets</b>		<b><u>894,853</u></b>	<b><u>944,747</u></b>	<b><u>986,564</u></b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Share capital		84,996	84,549	70,890
Share premium		234,180	230,841	120,543
Reserves		80,716	112,710	134,323
<b>Total equity attributable to owners of the Company</b>		<b><u>399,892</u></b>	<b><u>428,100</u></b>	<b><u>325,756</u></b>

	<i>Note</i>	<b>As at 31 July 2016 RMB'000</b>	As at 31 July 2015 RMB'000 (Restated)	As at 1 August 2014 RMB'000 (Restated)
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings		<b>85,399</b>	117,135	155,349
Deferred income tax liabilities		<b>567</b>	521	1,813
		<b>85,966</b>	117,656	157,162
<b>Current liabilities</b>				
Trade and other payables	<i>10</i>	<b>234,693</b>	240,457	290,146
Amounts due to related parties		<b>703</b>	912	1,149
Derivative financial instruments		–	7	235
Borrowings		<b>164,785</b>	148,319	203,085
Tax payables		<b>8,814</b>	9,296	9,031
		<b>408,995</b>	398,991	503,646
<b>Total liabilities</b>		<b>494,961</b>	516,647	660,808
<b>Total equity and liabilities</b>		<b>894,853</b>	944,747	986,564

## 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRS 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) Change in presentation currency

During the year, the Group has changed its presentation currency from Hong Kong dollars (“**HK\$**”) to Renminbi (“**RMB**”) for the preparation of its consolidated financial statements. Having considered the principal activities of the Group are mainly conducted in the People’s Republic of China (“**PRC**”) and the functional currency of all of the Company’s subsidiaries are denominated in RMB, the Directors considered that the change would result in a more appropriate presentation of the Group’s transactions in these consolidated financial statements.

The change in presentation currency have been applied retrospectively. The comparative figures in these consolidated financial statements were translated from HK\$ to RMB using the applicable closing rates for items in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated income statement and consolidated statement of comprehensive income.

### (b) Effect of adopting amendments and interpretation to existing standards

There were no new nor amended HKFRS becoming effective for the year ended 31 July 2016.

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

The following amendments and interpretation to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 August 2016, the adoption of which does not have any significant impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Disclosure initiative <sup>(1)</sup>
HKAS 7 (Amendment)	Statement of Cash Flows <sup>(2)</sup>
HKAS 12 (Amendment)	Income taxes <sup>(2)</sup>
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>(1)</sup>
HKAS 16 and HKAS 41 (Amendment)	Bearer Plants <sup>(1)</sup>
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements <sup>(1)</sup>
HKFRS 9	Financial Instruments <sup>(3)</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture <sup>(5)</sup>

HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities-Appling the consolidation exception <sup>(1)</sup>
HKFRS 11 (Amendment)	Joint Arrangements-Accounting for Acquisitions of Interests in Joint Operation <sup>(1)</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>(1)</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>(3)</sup>
HKFRS 16	Leases <sup>(4)</sup>
HKFRSs (Amendment)	Annual improvements to HKFRSs 2012-2014 cycle <sup>(1)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on or after 1 August 2016.

<sup>(2)</sup> Effective for the Group for annual period beginning on or after 1 August 2017.

<sup>(3)</sup> Effective for the Group for annual period beginning on or after 1 August 2018.

<sup>(4)</sup> Effective for the Group for annual period beginning on or after 1 August 2019.

<sup>(5)</sup> Effective date to be determined.

#### **(d) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## **2. Segment information**

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

The senior executive management assesses the performance of the single operating segment based on a measure of profit before share of results of an associate, finance income, finance costs and income tax expense. The senior executive management assesses the performance of the following three reportable segments and regards them being the reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

Revenue for the year consists of the following:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Turnover		
Plastic injection and moulding	<b>503,483</b>	546,881
Assembling of electronic products	<b>319,151</b>	319,596
Mould design and fabrication	<b>61,593</b>	67,995
	<u><b>884,227</b></u>	<u>934,472</u>

The Group's customer base is diversified but includes four (2015: four) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2016.

**(i) Segment results, assets and liabilities**

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

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

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 July 2016 and 2015 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Revenue from external customers	<b>503,483</b>	546,881	<b>319,151</b>	319,596	<b>61,593</b>	67,995	<b>884,227</b>	934,472
Reportable segment result	<b>40,132</b>	21,989	<b>37,000</b>	33,646	<b>11,088</b>	15,265	<b>88,220</b>	70,900
<i>Other segment information</i>								
<b>Year ended 31 July</b>								
Depreciation and amortisation for the year	<b>26,568</b>	28,694	<b>10,286</b>	7,111	<b>5,402</b>	5,682	<b>42,256</b>	41,487
(Write-back of provision)/provision for impairment of receivables	<b>(476)</b>	3,553	–	–	–	–	<b>(476)</b>	3,553
Provision/(write-back of provision) for impairment of inventories	<b>(557)</b>	(960)	<b>2,387</b>	851	<b>77</b>	(129)	<b>1,907</b>	(238)
Impairment of property, plant and equipment	–	1,707	–	–	–	–	–	1,707
Impairment of goodwill	–	2,302	–	–	–	–	–	2,302
Addition to non-current segment assets during the year	<b>77,340</b>	13,530	<b>10,481</b>	25,870	<b>599</b>	825	<b>88,420</b>	40,225
<b>As at 31 July</b>								
Reportable segment assets	<b>529,952</b>	490,095	<b>116,560</b>	146,391	<b>66,451</b>	67,028	<b>712,963</b>	703,514
Reportable segment liabilities	<b>162,416</b>	120,729	<b>51,808</b>	72,725	<b>7,716</b>	4,938	<b>221,940</b>	198,392



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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>Revenue</b>		
Reportable segment revenue	<u>884,227</u>	<u>934,472</u>
Consolidated turnover	<u><u>884,227</u></u>	<u><u>934,472</u></u>
<b>Profit or loss</b>		
Reportable segment profit	88,220	70,900
Changes in fair value of forward foreign exchange contracts	–	(7)
Net (loss)/gain on forward foreign exchange contracts	(452)	1,245
Finance income	385	719
Finance costs	(12,139)	(13,841)
Unallocated depreciation and amortisation	(6,854)	(4,029)
Unallocated head office and corporate expenses	(58,786)	(65,131)
Provision for impairment of deposits	(34,000)	–
Share of profit/(loss) of an associate	<u>2,531</u>	<u>(2,677)</u>
Consolidated loss before income tax	<u><u>(21,095)</u></u>	<u><u>(12,821)</u></u>
<b>Assets</b>		
Reportable segment assets	712,963	703,514
Interest in an associate	15,884	13,353
Deferred income tax assets	2,221	3,486
Unallocated head office and corporate assets	<u>163,785</u>	<u>224,394</u>
Consolidated total assets	<u><u>894,853</u></u>	<u><u>944,747</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	221,940	198,392
Deferred income tax liabilities	567	521
Unallocated head office and corporate liabilities	<u>272,454</u>	<u>317,734</u>
Consolidated total liabilities	<u><u>494,961</u></u>	<u><u>516,647</u></u>

The Group's business is operated in five (2015: five) major economic environments.

Revenue from external customers is analysed as follows:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Mainland China	<b>516,879</b>	511,192
United States of America	<b>184,251</b>	230,049
Europe	<b>145,623</b>	106,846
Hong Kong	<b>25,789</b>	35,403
South East Asia	<b>11,211</b>	37,197
Others	<b>474</b>	13,785
	<b>884,227</b>	934,472

### 3. Other income and other losses – net

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>Other income</b>		
Rental income	<b>5,222</b>	2,935
Sales of scrap materials	<b>512</b>	1,252
Subsidy income	<b>1,919</b>	46
	<b>7,653</b>	4,233
<b>Other losses – net</b>		
Net foreign exchange loss	<b>(3,197)</b>	(959)
Changes in fair value of forward foreign exchange contracts	–	(7)
Net (loss)/gain on forward foreign exchange contracts	<b>(452)</b>	1,245
Net loss on disposal of property, plant and equipment	<b>(1,179)</b>	(3,832)
Impairment of property, plant and equipment	–	(1,707)
Impairment of goodwill	–	(2,302)
Provision for impairment of deposits ( <i>Note 9</i> )	<b>(34,000)</b>	–
	<b>(38,828)</b>	(7,562)

#### 4. Operating (loss)/profit

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Amortisation of land use rights	507	507
Auditors' remuneration		
– Audit services	1,846	1,512
– Non-audit services	148	415
Cost of inventories	735,155	796,955
Depreciation	48,603	45,009
Impairment of property, plant and equipment	–	1,707
Impairment of goodwill	–	2,302
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	8,535	8,493
(Write-back of provision)/provision for impairment of		
– trade receivables	(476)	3,553
– inventories	1,907	(238)
Provision for impairment of deposits	34,000	–
Staff costs	174,513	171,216
	<u>174,513</u>	<u>171,216</u>

Cost of inventories amounting to RMB149,540,000 (2015: RMB154,164,000) is related to staff costs, depreciation, and operating lease charges, which are also included in the respective total amounts disclosed separately above for each type of expense.

#### 5. Finance costs – net

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>Finance income</b>		
Bank interest income	(385)	(719)
<b>Finance costs</b>		
Interest on bank borrowings	9,880	11,089
Less: borrowing costs capitalised as construction in progress ( <i>Note</i> )	(32)	(22)
	9,848	11,067
Other finance charges	2,291	2,774
	<u>12,139</u>	<u>13,841</u>
<b>Finance costs – net</b>	<u>11,754</u>	<u>13,122</u>

*Note:* During the year ended 31 July 2016, borrowing costs had been capitalised at the Group's weighted average effective interest rate of 3.6% per annum (2015: 3.9% per annum) for construction in progress.

## 6. Income tax expense

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>Current income tax</b>		
Provision for the year	9,707	10,999
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	<u>1,701</u>	<u>(654)</u>
	<u><b>11,408</b></u>	<u><b>10,345</b></u>

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 years ended 31 July 2016 and 2015.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for two subsidiaries which is fully exempt from corporate income tax for the first three years after obtaining the concession, follow by a 50% tax exemption for the next three years and had been granted with a preferential rate of 15% from 1 January 2015 to 31 December 2017 whose applicable tax rates will resume as 25% afterwards, respectively.

Pursuant to the relevant corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008 onwards.

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

## 7. Dividends

No dividend has been paid or declared by the Company for the years ended 31 July 2016 and 2015.

## 8. Loss per share

### (a) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB32,503,000 (2015: RMB23,166,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2016	2015 (Restated)
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<u>(32,503)</u>	<u>(23,166)</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u>1,826,378</u>	<u>1,687,300</u>
Basic loss per share ( <i>RMB cents</i> )	<u>(1.78)</u>	<u>(1.37)</u>

### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the Company's outstanding share options. For the years ended 31 July 2016 and 2015, diluted loss per share equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

## 9. Trade and other receivables

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Trade receivables	148,441	168,305
Bills receivable	<u>51,910</u>	<u>44,569</u>
Trade and bills receivables – gross	200,351	212,874
Less: Provision for impairment	<u>(5,251)</u>	<u>(9,804)</u>
Trade and bills receivables – net	<u>195,100</u>	<u>203,070</u>
Other receivables, prepayments and deposits	72,151	82,229
Less: Provision for impairment	<u>(34,000)</u>	<u>–</u>
Other receivables, prepayments and deposits – net ( <i>Note</i> )	<u>38,151</u>	<u>82,229</u>
Less: Prepayments and deposits (non-current)	<u>(9,772)</u>	<u>(73,431)</u>
Total trade and other receivables (current)	<u>223,479</u>	<u>211,868</u>

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 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. As at 31 July 2016, the Deposits have not yet been refunded to the Group. 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.

Notwithstanding the Settlement Agreement, in view of the lapse of the 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.

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

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Neither past due nor impaired	<b>187,615</b>	194,364
Past due for:		
Less than 1 month	<b>2,906</b>	5,976
1 to 3 months	<b>1,958</b>	990
More than 3 months	<b>7,872</b>	11,544
	<b>12,736</b>	18,510
	<b>200,351</b>	212,874

## 10. Trade and other payables

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Trade payables	<b>154,926</b>	157,360
Bills payable	<b>7,211</b>	7,420
Trade and bills payables	<b>162,137</b>	164,780
Payables for the purchase of property, plant and equipment	<b>14,923</b>	2,608
Accrued expenses and other payables	<b>57,633</b>	73,069
Trade and other payables	<b>234,693</b>	240,457

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

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Less than 1 month	<b>49,620</b>	56,092
1 to 3 months	<b>72,750</b>	74,782
More than 3 months	<b>39,767</b>	33,906
	<b>162,137</b>	164,780

## MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS

### INDUSTRY OVERVIEW

During the financial year, the Group continued to improve its profit margin with its strategy to focus on higher value-added products.

### FINANCIAL REVIEW

#### Turnover, Gross Profit and Segment Results

During the financial year, the Group recorded a turnover of RMB884.23 million, representing a decrease of RMB50.24 million or 5.38% from RMB934.47 million in the previous year. The major contributor of the Group's turnover was still its plastic injection and moulding division which accounted for 56.94% (2015: 58.52%) of the Group's turnover, and the remaining from assembling of electronics products and mould design and fabrication divisions which accounted for 36.09% (2015: 34.20%) and 6.97% (2015: 7.28%) of the Group's turnover respectively.

In line with the Group's two-pronged strategy of focusing on higher value-added products and developing its own original design manufacturer (“ODM”) products, gross profit increased by RMB11.55 million and recorded at RMB149.07 million representing 16.86% of its turnover during the financial year as compared to gross profit of RMB137.52 million representing 14.72% of its turnover in the previous year.

#### *Plastic Injection and Moulding*

The decline in sales orders from certain major customers during the financial year has directly impacted the business of plastic injection and moulding, which recorded a turnover of RMB503.48 million, representing a decrease of RMB43.40 million or 7.94% from RMB546.88 million in the previous year.

The Group's operation in Zhuhai was still the main contributor and has contributed a turnover of RMB277.79 million as compared to RMB310.31 million in the previous year. Meanwhile, the Group's operation in Qingdao recorded a turnover of RMB225.69 million during the financial year, which represented a decrease of 4.60% from RMB236.57 million in the previous financial year.

#### *Assembling of Electronic Products*

During the financial year, the Group's assembling of electronic products business recorded a turnover of RMB319.15 million, representing a slight decrease of 0.14% from RMB319.60 million in the previous financial year.



### *Mould Design and Fabrication*

During the financial year, the mould design and fabrication segment recorded a turnover of RMB61.60 million, representing a decrease of 9.40% from RMB67.99 million in the previous financial year.

### **Other Losses – Net**

During the financial year, the Group incurred other net loss of RMB38.83 million (2015: RMB7.56 million), which comprised mainly net loss on disposal of property, plant and equipment of RMB1.18 million, net foreign exchange loss of RMB3.20 million and net loss on forward foreign exchange contracts of RMB0.45 million. In addition, a provision for impairment of the Deposits paid of RMB34.00 million in relation to a proposal acquisition of a 20% equity interest of a company involved in a solar energy project in Inner Mongolia was made.

### **Distribution Costs**

Distribution costs for the financial year amounted to RMB53.00 million, representing a decrease of RMB0.89 million or 1.65% from RMB53.89 million in the previous financial year. The decrease was in line with the decrease in the turnover of the Group for the financial year.

### **General and Administrative Expenses**

General and administrative expenses for the financial year amounted to RMB76.77 million, representing a slight decrease of RMB0.55 million or 0.71% from RMB77.32 million in the previous financial year.

### **Finance Costs – Net**

The net finance costs for the year reduced by 10.44% to RMB11.75 million (2015: RMB13.12 million). The decrease was primarily due to lower interest-bearing borrowings during the financial year.

### **Share of Profit/(Loss) of an Associate**

The Group's share of profit of an associate of RMB2.53 million (2015: loss of RMB2.68 million) was solely attributed to profit recorded from 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 and bank borrowings. As at 31 July 2016, the Group had cash and bank deposits of RMB58.57 million (2015: RMB77.88 million), of which RMB12.99 million (2015: RMB17.82 million) was pledged to banks for the facilities granted to the Group. 54.50%, 44.70% and 0.77% of cash and bank deposits are denominated in United States dollars (“USD”), RMB and HK\$, respectively.

As at 31 July 2016, the Group had outstanding interest-bearing bank borrowings of RMB250.19 million (2015: RMB265.46 million). The total borrowings were denominated in USD (75.09%), RMB (17.91%), and HK\$ (7.00%), and the maturity profile is as follows:

Repayable	As at 31 July 2016		As at 31 July 2015	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Within one year	<b>164.79</b>	<b>65.87</b>	148.32	55.87
After one year but within two years	<b>39.84</b>	<b>15.92</b>	37.26	14.04
After two years but within five years	<b>45.56</b>	<b>18.21</b>	79.88	30.09
Total borrowings	<b>250.19</b>	<b>100.00</b>	265.46	100.00
Cash and bank deposits	<b>(58.57)</b>		(77.88)	
Net borrowings	<b>191.62</b>		187.58	

The total net interest-bearing borrowings of the Group recorded at RMB191.62 million (2015: RMB187.58 million) representing 21.41% (2015: 19.85%) of total assets and 47.92% (2015: 43.82%) 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 less cash and bank deposits. Total capital is calculated as total equity attributable to owners of the Company plus net borrowings. The gearing ratio of the Group was 32.39% as at 31 July 2016 (2015: 30.47%).

As at 31 July 2016, the Group’s net current liabilities were RMB15.70 million (2015: net current assets of RMB13.52 million). As at 31 July 2016, the Group has undrawn bank facilities of RMB98.43 million for working capital purposes.

## **CAPITAL STRUCTURE**

As at 31 July 2016, the Group's equity stood at RMB399.89 million (2015: RMB428.10 million). Total assets of the Group amounted to RMB894.85 million (2015: RMB944.75 million), 52.93% (2015: 46.78%) of which comprised property, plant, equipment and land use rights.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the financial year, Energy Ally Global Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interest of Zhuhai Deyuan Energy Conservation Technology Company Limited\* (珠海德源節能科技有限公司), which owns and operates a roof-top solar power plant located in our manufactory plant in Zhuhai, the PRC. Except for the acquisition mentioned above, the Group had no significant investments, mergers and acquisitions during the financial year. Please refer to the announcements of the Company dated 16 April 2015, 6 July 2015, 30 October 2015 and 30 December 2015 for information.

## **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 liabilities as at 31 July 2016.

## **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 currency giving rise to the risk was primarily USD.

During the financial year, the Group has made net foreign exchange losses of RMB3.65 million (2015: net foreign exchange gains of RMB0.28 million) mainly due to the realised loss on forward foreign exchange contracts of RMB0.45 million and unrealised and realised foreign exchange loss of RMB3.20 million.

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.

\* *for identification purposes only*

As at 31 July 2016, there were no outstanding forward foreign exchange contracts (2015: USD2.00 million). Management 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 2016, the Group had a total of 2,687 employees (2015: 2,962). 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 RMB162.68 million (2015: RMB159.15 million). The increase in human resources expenses was mainly due to the rise in remuneration paid as a result of the increase in minimum wages imposed by local authorities of the PRC during the financial year. 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 2016 (2015: nil).

## **FUTURE PROSPECTS AND CHALLENGES**

The Group will continue to focus on improving its production efficiency and productivity as well as realignment of its product lines to improve its profitability. In addition, the Group will continue to develop and increase its own ODM products and customer base which are expected to contribute positively to the performance of the Group.

On 4 August 2016, the Group entered into an agreement with an existing customer pursuant to which purchase orders of RMB400,000,000 has been placed to the Group. The agreement is expected to enhance the Group's performance in the financial year ending 31 July 2017.

## **EVENTS AFTER THE REPORTING DATE**

On 31 August 2016, the Settlement Agreement with the Vendor has been entered into, pursuant to which the parties thereto agreed to terminate the obligations relating to or arising out of the Agreement of acquiring 20% equity interest of a company involved in a solar energy project in Inner Mongolia, and the Vendor shall repay in full, the Deposits in an aggregate principal amount of HK\$42,500,000 (equivalent to approximately RMB34,000,000) and the interest thereon at 5% per annum by 30 November 2016. Details of the transactions are set out in the announcement of the Company dated 5 February 2015, 23 March 2015, 3 August 2015, 2 November 2015 and 31 August 2016.

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

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

During the year ended 31 July 2016, 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 2016 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 of Hong Kong Limited ("**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 ("**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. 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 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 2016.

## 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*

Johor Bahru, Malaysia  
27 September 2016

### 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