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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 2015

HIGHLIGHTS

- Turnover decreased by 14.51% to HK\$1,171.75 million;
- Loss for the year attributable to equity holders of the Company was HK\$28.34 million;
- Basic loss per share was 1.68 Hong Kong 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 2015, 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 2015 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 2015 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 2015

	<i>Note</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Revenue	2	1,171,751	1,370,671
Cost of sales		<u>(999,257)</u>	<u>(1,201,844)</u>
Gross profit		172,494	168,827
Other income	3	5,308	4,746
Other losses – net	3	(8,706)	(4,767)
Distribution costs		(67,577)	(69,327)
General and administrative expenses		<u>(96,966)</u>	<u>(92,038)</u>
Operating profit	4	4,553	7,441
Finance income		901	727
Finance costs		<u>(17,362)</u>	<u>(22,138)</u>
Finance costs-net	5	(16,461)	(21,411)
Share of loss of an associate		<u>(3,455)</u>	<u>(1,646)</u>
Loss before income tax		(15,363)	(15,616)
Income tax expense	6	<u>(12,975)</u>	<u>(10,113)</u>
Loss for the year attributable to equity holders of the Company		<u>(28,338)</u>	<u>(25,729)</u>
Loss per share attributable to equity holders of the Company during the year (<i>Hong Kong cents</i>)			
Basic and diluted	8	<u>(1.68)</u>	<u>(1.85)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		527,885	552,700
Land use rights		23,811	24,579
Goodwill		–	2,172
Interest in an associate		16,669	20,124
Prepayments and deposits	9	91,662	1,019
Deferred income tax assets		4,352	3,077
		<hr/> 664,379 <hr/>	<hr/> 603,671 <hr/>
Current assets			
Inventories		128,048	175,972
Trade and other receivables	9	264,472	328,764
Amounts due from related parties		25,201	14,779
Bank deposits		22,245	33,254
Cash and cash equivalents		74,967	81,309
		<hr/> 514,933 <hr/>	<hr/> 634,078 <hr/>
Total assets		<hr/> 1,179,312 <hr/>	<hr/> 1,237,749 <hr/>
EQUITY			
Capital and reserves			
Share capital		91,087	73,900
Share premium		264,971	126,282
Reserves		179,085	208,809
		<hr/> 535,143 <hr/>	<hr/> 408,991 <hr/>
Total equity attributable to equity holders of the Company		<hr/> 535,143 <hr/>	<hr/> 408,991 <hr/>

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		146,218	195,015
Deferred income tax liabilities		650	2,298
		<u>146,868</u>	<u>197,313</u>
Current liabilities			
Trade and other payables	<i>10</i>	300,158	364,231
Amounts due to related parties		1,139	1,443
Derivative financial instruments		9	295
Borrowings		185,145	254,939
Tax payables		10,850	10,537
		<u>497,301</u>	<u>631,445</u>
Total liabilities		<u>644,169</u>	<u>828,758</u>
Total equity and liabilities		<u>1,179,312</u>	<u>1,237,749</u>
Net current assets		<u>17,632</u>	<u>2,633</u>
Total assets less current liabilities		<u>682,011</u>	<u>606,304</u>

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with 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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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) Effect of adopting amendments and interpretation to existing standards

The following amendments and interpretation to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 August 2014, the adoption of which does not have any significant impact on the results and financial position of the Group.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), “Investment Entities”;
- Amendments to HKAS 19 (2011), “Employee Benefits – Defined Benefit Plans: Employee Contributions”;
- Amendments to HKAS 32, “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”;
- Amendments to HKAS 36, “Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets”;
- Amendments to HKAS 39, “Financial Instruments: Recognition and Measurements – Novation of Derivatives and Continuation of Hedge Accounting”;
- HK(IFRIC) – Int 21, “Levies”;
- Annual Improvements to HKFRSs 2010 – 2012 Cycle; and
- Annual Improvements to HKFRSs 2011 – 2013 Cycle.

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

- HKFRS 9, “Financial Instruments”³;
- HKFRS 14, “Regulatory Deferral Accounts”¹;
- HKFRS 15, “Revenue from Contracts with Customers”²;
- Amendments to HKFRS 10, “Consolidated Financial Statements” and HKAS 28 (2011), “Investment in Associate and Joint Ventures” on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹;
- Amendments to HKFRS 10, “Consolidated Financial Statements”, HKFRS 12, “Disclosure of Interests in Other Entities” and HKAS 28 (2011), “Investments in Associates and Joint Ventures” on Investment Entities: Applying the Consolidation Exception¹;
- Amendments to HKFRS 11, “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”¹;
- Amendments to HKAS 1 (Revised), “Presentation of Financial Statements – Disclosure Initiative”¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 41, “Agriculture on Bearer Plants”¹;
- Amendments to HKAS 16, “Property, Plant and Equipment” and HKAS 38 “Intangible Assets” on Clarification of Acceptable Methods of Depreciation and Amortisation¹;
- Amendments to HKAS 27 (2011), “Separate Financial Statements – Equity Method in Separate Financial Statements”¹; and
- Annual Improvements to HKFRSs 2012 – 2014 Cycle¹.

¹ Effective for the Group for annual periods beginning on or after 1 August 2016

² Effective for the Group for annual periods beginning on or after 1 August 2017

³ Effective for the Group for annual periods beginning on or after 1 August 2018

The Group will apply these new standards and amendments to the existing standards in the period of initial application. The Group is currently assessing the impact of the adoption of the above new standards and amendments to the existing standards and is not yet in a position to state whether they would have a significant impact on the Group’s results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) for an overseas incorporated company listed in Hong Kong will become effective for the Company’s financial year ending 31 July 2016 under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The Group is in the process of making an assessment of expected impact of the changes. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 these 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Turnover		
Plastic injection and moulding	685,744	782,249
Assembling of electronic products	400,748	502,192
Mould design and fabrication	85,259	86,230
	<u>1,171,751</u>	<u>1,370,671</u>

The Group's customer base is diversified but includes four (2014: Three) individual customers with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2015.

(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 2015 and 2014 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	685,744	782,249	400,748	502,192	85,259	86,230	1,171,751	1,370,671
Reportable segment result	27,631	41,439	42,189	33,414	19,141	9,627	88,961	84,480
<i>Other segment information</i>								
Year ended 31 July								
Depreciation and amortisation for the year	35,980	42,542	8,917	11,453	7,125	9,623	52,022	63,618
Provision/ (write-back of provision) for impairment of receivables	4,455	(943)	–	–	–	–	4,455	(943)
(Write-back of provision)/provision for impairment of inventories	(1,204)	977	1,067	–	(162)	–	(299)	977
Impairment of property, plant and equipment	2,140	–	–	–	–	–	2,140	–
Impairment of goodwill	2,172	–	–	–	–	–	2,172	–
Addition to non-current segment assets during the year	16,966	14,003	32,439	5,691	1,034	143	50,439	19,837
As at 31 July								
Reportable segment assets	611,778	738,981	182,737	224,739	83,670	95,403	878,185	1,059,123
Reportable segment liabilities	150,704	178,884	90,781	106,708	6,164	13,584	247,649	299,176

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	1,171,751	1,370,671
Consolidated turnover	<u>1,171,751</u>	<u>1,370,671</u>
Profit or loss		
Reportable segment profit	88,961	84,480
Changes in fair value of forward foreign exchange contracts	(9)	(295)
Net gain on forward foreign exchange contracts	1,561	669
Finance income	901	727
Finance costs	(17,362)	(22,138)
Unallocated depreciation and amortisation	(5,077)	(5,131)
Unallocated head office and corporate expenses	(80,883)	(72,282)
Share of loss of an associate	(3,455)	(1,646)
Consolidated loss before income tax	<u>(15,363)</u>	<u>(15,616)</u>
Assets		
Reportable segment assets	878,185	1,059,123
Interest in an associate	16,669	20,124
Deferred income tax assets	4,352	3,077
Unallocated head office and corporate assets	280,106	155,425
Consolidated total assets	<u>1,179,312</u>	<u>1,237,749</u>
Liabilities		
Reportable segment liabilities	247,649	299,176
Deferred income tax liabilities	650	2,298
Unallocated head office and corporate liabilities	395,870	527,284
Consolidated total liabilities	<u>644,169</u>	<u>828,758</u>

The Group's business is operated in five (2014: six) major economic environments.

Revenue from external customers is analysed as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mainland China	640,994	747,712
United States of America	288,462	258,238
Europe	133,976	241,014
South East Asia	46,641	41,029
Hong Kong	44,393	44,725
Others	17,285	37,953
	<u>1,171,751</u>	<u>1,370,671</u>

3. Other income and other losses – net

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other income		
Rental income	3,680	263
Sales of scrap materials	1,570	2,902
Sundry income	58	1,581
	<u>5,308</u>	<u>4,746</u>
Other losses – net		
Net foreign exchange loss	(1,140)	(1,376)
Changes in fair value of forward foreign exchange contracts	(9)	(295)
Net gain on forward foreign exchange contracts	1,561	669
Net loss on disposal of property, plant and equipment	(4,806)	(3,765)
Impairment of property, plant and equipment	(2,140)	–
Impairment of goodwill	(2,172)	–
	<u>(8,706)</u>	<u>(4,767)</u>

4. Operating profit

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amortisation of land use rights	635	638
Auditors' remuneration	1,896	1,827
Cost of inventories	999,257	1,201,844
Depreciation	56,464	68,111
Impairment of property, plant and equipment	2,140	–
Impairment of goodwill	2,172	–
Operating lease charges in respect of land and buildings		
– factory and hostel rentals	10,649	10,989
Provision/(write-back of provision) for impairment of		
– trade receivables	4,455	47
– other receivables	–	(990)
– inventories	(299)	977
Staff costs	214,695	257,085
	<u><u> </u></u>	<u><u> </u></u>

5. Finance costs – net

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Finance income		
Bank interest income	(901)	(727)
	-----	-----
Finance costs		
Interest on bank borrowings	13,912	18,778
Less: borrowing costs capitalised as construction in progress (<i>Note</i>)	(28)	–
	<u> </u>	<u> </u>
	13,884	18,778
Other finance charges	3,478	3,360
	<u> </u>	<u> </u>
	17,362	22,138
	-----	-----
Finance costs – net	<u><u> </u></u>	<u><u> </u></u>
	16,461	21,411

Note: During the year ended 31 July 2015, the borrowing costs had been capitalised at Group's weighted average effective interest rate of 3.9% per annum for construction in progress. No borrowing costs had been capitalised during the year ended 31 July 2014.

6. Income tax expense

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax		
Provision for the year	13,781	10,439
Deferred income tax		
Origination and reversal of temporary differences	(806)	(326)
	<u>12,975</u>	<u>10,113</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 2015 and 2014.

The Group's subsidiaries established in the People's Republic of China (the "PRC") are subject to a corporate income tax rate of 25%, except for a subsidiary which had been granted with a preferential rate of 15% from 1 January 2012 to 31 December 2014 whose applicable tax rates have already resumed as 25% afterwards.

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 2015 and 2014.

8. Loss per share

(a) Basic

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$28,338,000 (2014: HK\$25,729,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2015	2014
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(28,338)</u>	<u>(25,729)</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>1,687,300</u>	<u>1,389,082</u>
Basic loss per share (<i>Hong Kong cents</i>)	<u>(1.68)</u>	<u>(1.85)</u>

(b) Diluted

Diluted 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 years ended 31 July 2015 and 2014, dilutive earnings per share equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

9. Trade and other receivables

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	210,093	253,272
Bills receivable	55,635	58,676
Trade and bills receivables – gross	265,728	311,948
Less: Provision for impairment	(12,238)	(7,838)
Trade and bills receivables – net	253,490	304,110
Other receivables, prepayments and deposits	102,644	25,673
	356,134	329,783
Less: Prepayments and deposits (non-current) (<i>Note</i>)	(91,662)	(1,019)
Total trade and other receivables (current)	264,472	328,764

Note:

The balance mainly represented the prepayments made to third parties in relation to two conditional acquisitions of solar power plant projects in Inner Mongolia and Zhuhai, the PRC amounting to HK\$42,500,000 and HK\$41,193,000 respectively.

On 5 February 2015, the Group entered into an acquisition agreement to acquire from a third party a 20% equity interest of a company involving in a solar energy project in Inner Mongolia for a consideration of RMB44,000,000 (approximately HK\$55,000,000). Pursuant to such agreement (as supplemented), upon completion of the acquisition of the 20% equity interest, the Group will 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 and subject to the fulfilment of certain conditions set out therein. As at 31 July 2015, a prepayment of RMB34,000,000 (approximately HK\$42,500,000) had been paid.

On 16 April 2015, the Group entered into another acquisition agreement (which was subsequently supplemented) to acquire from a third party the entire equity interest of a company involving in solar energy projects in Zhuhai for a consideration of RMB20,000,000 (approximately HK\$25,000,000), and upon completion, the Group would be required to inject additional capital of RMB40,000,000 (approximately HK\$50,000,000) to the target company. As at 31 July 2015, a prepayment of RMB33,000,000 (approximately HK\$41,193,000) had been paid.

As at 31 July 2015, both of these acquisitions have not yet been completed as certain major conditions precedent stipulated in these conditional acquisition agreements, including the obtainment of relevant legal and regulatory approval and the commencement of the solar power plants' operations, have not been fulfilled.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Neither past due nor impaired	242,621	238,715
Past due for:		
Less than 1 month	7,460	35,325
1 to 3 months	1,236	25,586
More than 3 months	14,411	12,322
	<u>23,107</u>	<u>73,233</u>
	<u>265,728</u>	<u>311,948</u>

10. Trade and other payables

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	196,430	240,276
Bills payable	9,262	9,478
Trade and bills payables	<u>205,692</u>	<u>249,754</u>
Payables for the purchase of property, plant and equipment	3,256	2,151
Accrued expenses and other payables	91,210	112,326
Trade and other payables	<u>300,158</u>	<u>364,231</u>

The ageing analysis of trade and bills payables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Due within 1 month or on demand	125,977	163,371
Due after 1 month but within 3 months	58,615	65,028
Due after 3 months but within 6 months	21,100	21,355
	<u>205,692</u>	<u>249,754</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS

INDUSTRY OVERVIEW

The global economic uncertainty, downturn of the oil and gas industry, depressed prices of commodities deflationary economic pressure have in general impacted consumer confidence globally. Coupled with the slowdown in China economic development, the demand of consumers' electronic products will continued to be pressured. As such, the outlook of the industry in the foreseeable future remains challenging.

FINANCIAL REVIEW

Turnover, Gross Profit and Segment Results

During the year, the Group recorded a turnover of HK\$1,171.75 million, representing a decrease of HK\$198.92 million or 14.51% from HK\$1,370.67 million in the previous year. The major contributor of the Group's turnover was still its plastic injection and moulding division which accounted for 58.52% (2014: 57.07%) of the Group's turnover, and the remaining from assembling of electronic products and mould design and fabrication divisions which accounted for 34.20% (2014: 36.64%) and 7.28% (2014: 6.29%) 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 HK\$3.66 million and recorded at HK\$172.49 million representing 14.72% of its turnover during the financial year as compared to gross profit of HK\$168.83 representing 12.32% 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 HK\$685.74 million, representing a decrease of HK\$96.51 million or 12.34% from HK\$782.25 million in the previous year.

The Group's operation in Zhuhai was still the main contributor and has contributed a turnover of HK\$389.10 million as compared to HK\$459.61 million in the previous year. Meanwhile, the Group's operation in Qingdao recorded a turnover of HK\$296.64 million during the financial year, which represented a decrease of 8.06% from HK\$322.64 million in the previous financial year.

Assembling of Electronic Products

Decline in the demand for certain customers' end products has directly impacted the Group's business of assembling electronic products. During the financial year, the Group's assembling of electronic products business recorded a turnover of HK\$400.75 million, representing a decrease of HK\$101.44 million or 20.20% from HK\$502.19 million in the previous year. However, the reporting segment results has improved from HK\$33.41 million or 6.65% of turnover in the previous financial year to HK\$42.19 million or 10.53% of turnover in the financial year.

Mould Design and Fabrication

During the financial year, the mould design and fabrication segment recorded a turnover of HK\$85.26 million, representing a slight decrease of 1.12% from HK\$86.23 million in the previous financial year.

Other Losses – Net

During the financial year, the Group incurred other net loss of HK\$8.71 million (2014: HK\$4.77 million), which comprised mainly net loss on disposal of property plant and equipment of HK\$4.81 million, impairment of property, plant and equipment of HK\$2.14 million and impairment of goodwill of HK\$2.17 million.

Distribution Costs

Distribution costs for the financial year amounted to HK\$67.58 million, representing a decrease of HK\$1.75 million or 2.52% from HK\$69.33 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 HK\$96.97 million, representing an increase of HK\$4.93 million or 5.36% from HK\$92.04 million in the previous financial year. The increase was primarily due to provision for doubtful debts for customers of HK\$4.46 million.

Finance Costs – Net

The net finance costs for the year reduced by 23.12% to HK\$16.46 million (2014: HK\$21.41 million). The decrease was primarily due to decrease in bank borrowings during the financial year.

Share of Loss of an Associate

The Group's share of loss of an associate of HK\$3.46 million (2014: HK\$1.65 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 and bank borrowings. As at 31 July 2015, the Group had cash and bank deposits of HK\$97.21 million (2014: HK\$114.56 million), of which HK\$22.25 million (2014: HK\$21.14 million) was pledged to banks for the facilities granted to the Group. 45.82%, 52.82% and 1.15% of cash and bank deposits are denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HK\$"), respectively.

As at 31 July 2015, the Group had outstanding interest-bearing bank borrowings of HK\$331.36 million (2014: HK\$449.95 million). The total borrowings were denominated in USD (78.55%), RMB (15.95%), and HK\$ (5.50%), and the maturity profile is as follows:

Repayable	As at 31 July 2015		As at 31 July 2014	
	HK\$ million	%	HK\$ million	%
Within one year	185.14	55.87	254.94	56.66
After one year but within two years	46.51	14.04	195.01	43.34
After two years but within five years	99.71	30.09	—	—
Total borrowings	<u>331.36</u>	<u>100.00</u>	<u>449.95</u>	<u>100.00</u>
Cash and bank deposits	<u>(97.21)</u>		<u>(114.56)</u>	
Net borrowings	<u>234.15</u>		<u>335.39</u>	

The total net interest bearing borrowings of the Group recorded at HK\$234.15 million (2014: HK\$335.39 million) representing 19.85% (2014: 27.10%) of total assets and 43.75% (2014: 82.00%) 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 equity holders of the Company plus net borrowings. The gearing ratio of the Group was 30.44% as at 31 July 2015 (2014: 45.06%).

As at 31 July 2015, the Group's net current assets were HK\$17.63 million (2014: HK\$2.63 million). As at 31 July 2015, the Group has undrawn bank facilities of HK\$148.31 million for working capital purposes. The improvement in net current assets position was mainly due to the placement of 266,680,000 and 53,000,000 shares of the Company on 9 December 2014 and 9 March 2015 respectively, which raised net proceeds of approximately HK\$117.19 and HK\$28.97 million to the Group, respectively.

CAPITAL STRUCTURE

As at 31 July 2015, the Group's equity stood at HK\$535.14 million (2014: HK\$408.99 million). Total assets of the Group amounted to HK\$1,179.31 million (2014: HK\$1,237.75 million), 46.78% (2014: 46.64%) of which comprised property, plant, equipment and land use rights.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisitions and disposals of subsidiaries and associated companies during the year.

SIGNIFICANT INVESTMENTS HELD

During the 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 2015.

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 were primarily HK\$ and USD.

During the financial year, the Group has made net foreign exchange gains of HK\$0.41 million (2014: net foreign exchange losses of HK\$1.00 million) mainly due to the realised gain on forward foreign exchange contracts of HK\$1.56 million, unrealised foreign exchange loss of HK\$1.14 million and unrealised loss on forward foreign exchange contracts of HK\$0.01 million.

Most of the Group's sales transactions are denominated in USD and certain payments of the Group were made in RMB and HK\$. In view of fluctuation of the RMB against the USD during the financial year, the Group was exposed to foreign currency risk in respect of certain trade receivables denominated in USD.

As at 31 July 2015, the notional amounts of the outstanding forward foreign exchange contracts were USD2.00 million (2014: USD20.50 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 2015, the Group had a total of 2,962 employees (2014: 3,584). During the financial year, the Group did not make significant changes to the Group's remuneration policies. Human resource expenses of the Group (excluding the Directors' remuneration and equity settled share-based payment expenses) for the financial year amounted to HK\$198.60 million (2014: HK\$239.99 million). The decrease in human resource expenses was mainly due to the reduction in the number of employees 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 2015 (2014: nil).

FUTURE PROSPECTS AND CHALLENGES

In view of the uncertainty of the global economy and slowdown of economic development in China, the Group has been operating under an extremely challenging and competitive environment. Against this backdrop, the Group has been looking for suitable opportunities to diversify its income and asset base to enhance Shareholders' value. Thus, on 5 February 2015, the Company announced that one of its wholly-owned subsidiaries had entered into a conditional acquisition agreement to acquire 20% equity interest in a company holding a solar power plant project in the Inner Mongolia Region, the PRC, with an option to acquire the remaining 80% equity interest in the company. Further details in relation such acquisition are set out in the announcements of the Company dated 5 February 2015, 23 March 2015 and 3 August 2015. Further, as set out in the Company's announcement dated 16 April 2015, a subsidiary of the Company entered into another agreement on 16 April 2015 pursuant to which the subsidiary conditionally agreed to acquire the entire equity interest in another company which is developing solar plant projects in Zhuhai, the PRC. Further details in relation to such acquisition are set out in the announcements of the Company dated 16 April 2015 and 6 July 2015. The acquisitions provided the Group with investment opportunities to tap into the solar energy industry, which are expected to generate revenue and stable cashflow to the Group.

For existing operation, 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 which are expected to contribute positively to the performance of the Group.

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

During the year ended 31 July 2015, 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 2015 and is of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the 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.

Code Provision A.6.7 provides that independent non-executive directors of listed issuers should attend general meetings. One independent non-executive Director did not attend the annual general meeting of the Company held on 17 December 2014 due to his other business commitments.

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 2015.

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
26 September 2015

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 (*Alternate Director
to Madam Gan Chu Cheng*)

Independent non-executive Directors:

Mr. Diong Tai Pew
Mr. Tang Sim Cheow
Ms. Fu Xiao Nan

Non-executive Director:

Mr. Gan Tiong Sia