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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 JANUARY 2021**

INTRODUCTION

The board (“**Board**”) of directors (“**Directors**”) of V.S. International Group Limited (“**Company**”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 31 January 2021, which have been reviewed by the audit committee (“**Audit Committee**”) of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 JANUARY 2021

		Unaudited	
		Six months ended 31 January	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Revenue	2	140,794	243,986
Cost of sales		<u>(111,591)</u>	<u>(216,425)</u>
Gross profit		29,203	27,561
Other income – net		2,830	4,632
Other (losses)/gains – net	3	(5,185)	581
Distribution costs		(3,164)	(6,206)
General and administrative expenses		<u>(26,650)</u>	<u>(28,644)</u>
Operating loss		(2,966)	(2,076)
Finance costs – net	4(a)	<u>(3,973)</u>	<u>(5,716)</u>
Loss before income tax	4	(6,939)	(7,792)
Income tax credit/(expense)	5	<u>319</u>	<u>(420)</u>
Loss for the period attributable to owners of the Company		<u>(6,620)</u>	<u>(8,212)</u>
Loss per share attributable to owners of the Company during the period (<i>Renminbi cents</i>)			
Basic and diluted	7	<u>(0.29)</u>	<u>(0.36)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 JANUARY 2021

		Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		273,530	291,015
Right-of-use assets		29,366	32,321
Other receivables and prepayments	8	365	6,295
Financial asset at fair value through other comprehensive income		4,000	4,000
Deferred income tax assets		884	1,143
		<u>308,145</u>	<u>334,774</u>
Current assets			
Inventories		28,987	24,659
Contract assets		8,114	11,846
Trade and other receivables, deposits and prepayments	8	87,670	84,078
Amounts due from related parties		2,980	8,313
Restricted bank balances	9	35,000	61,240
Cash and cash equivalents		49,334	104,430
		<u>212,085</u>	<u>294,566</u>
Total assets		<u>520,230</u>	<u>629,340</u>
EQUITY			
Capital and reserves			
Share capital		105,013	105,013
Share premium		306,364	306,364
Other deficits		(61,283)	(54,663)
Total equity attributable to owners of the Company		<u>350,094</u>	<u>356,714</u>

		Unaudited	Audited
		At 31 January	At 31 July
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Loans from a director		36,105	38,980
Lease liabilities		–	215
Deferred income tax liabilities		2,073	2,847
		<u>38,178</u>	<u>42,042</u>
Current liabilities			
Trade and other payables	10	68,487	94,185
Amounts due to related parties		754	1,992
Borrowings		60,326	128,554
Lease liabilities		2,324	5,759
Tax payable		67	94
		<u>131,958</u>	<u>230,584</u>
Total liabilities		<u>170,136</u>	<u>272,626</u>
Total equity and liabilities		<u>520,230</u>	<u>629,340</u>

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31 July. This condensed consolidated interim financial information for the six months ended 31 January 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 July 2020, which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31 July 2020.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 July 2020, except as mentioned below.

(a) New standards, amendments to standards and interpretations adopted by the Group

The Group has applied the following new standards, amendments to standards and interpretations for the first time for their annual reporting period commencing 1 August 2020:

Standards	Subject of amendment
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of the above new standards and amendments did not have any significant impact on the preparation of these interim condensed consolidated financial information.

(b) New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the Group's accounting periods beginning on or after 1 August 2020 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new standard and amendments to standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SEGMENT REPORTING

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

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

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

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

Revenue for the period consists of the following:

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Revenue		
Plastic injection and moulding	90,806	100,039
Assembling of electronic products	48,681	129,255
Mould design and fabrication	1,307	14,692
	<u>140,794</u>	<u>243,986</u>
Timing of revenue recognition		
At a point in time	99,250	92,318
Over time	41,544	151,668
	<u>140,794</u>	<u>243,986</u>

(a) Segment results, assets and liabilities

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

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

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

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 31 January:								
Revenue from external customers	<u>90,806</u>	<u>100,039</u>	<u>48,681</u>	<u>129,255</u>	<u>1,307</u>	<u>14,692</u>	<u>140,794</u>	<u>243,986</u>
Reportable segment result	<u>22,523</u>	<u>6,132</u>	<u>4,776</u>	<u>16,166</u>	<u>228</u>	<u>2,211</u>	<u>27,527</u>	<u>24,509</u>
Additions to non-current segment assets during the period	<u>27</u>	<u>1,634</u>	<u>53</u>	<u>1,279</u>	<u>-</u>	<u>247</u>	<u>80</u>	<u>3,160</u>
At 31 January/31 July:								
Reportable segment assets	<u>215,970</u>	<u>220,838</u>	<u>50,630</u>	<u>60,110</u>	<u>22,398</u>	<u>22,421</u>	<u>288,998</u>	<u>303,369</u>
Reportable segment liabilities	<u>27,329</u>	<u>32,479</u>	<u>30,672</u>	<u>48,353</u>	<u>900</u>	<u>1,313</u>	<u>58,901</u>	<u>82,145</u>

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

	Unaudited Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	<u>140,794</u>	<u>243,986</u>
Consolidated revenue	<u>140,794</u>	<u>243,986</u>
Profit or loss		
Reportable segment profit	<u>27,527</u>	<u>24,509</u>
Finance costs – net (<i>Note 4(a)</i>)	<u>(3,973)</u>	<u>(5,716)</u>
Unallocated depreciation and amortisation	<u>(5,074)</u>	<u>(4,826)</u>
Unallocated operating income and expenses	<u>(25,419)</u>	<u>(21,759)</u>
Loss before income tax	<u>(6,939)</u>	<u>(7,792)</u>

	Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
Assets		
Reportable segment assets	288,998	303,369
Financial asset at fair value through other comprehensive income	4,000	4,000
Deferred income tax assets	884	1,143
Unallocated head office and corporate assets	<u>226,348</u>	<u>320,828</u>
Consolidated total assets	<u><u>520,230</u></u>	<u><u>629,340</u></u>
Liabilities		
Reportable segment liabilities	58,901	82,145
Deferred income tax liabilities	2,073	2,847
Unallocated head office and corporate liabilities	<u>109,162</u>	<u>187,634</u>
Consolidated total liabilities	<u><u>170,136</u></u>	<u><u>272,626</u></u>

(c) **Revenue by geographical locations**

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

	Unaudited Six months ended 31 January 2021 RMB'000	2020 RMB'000
Mainland China	86,077	101,495
Europe	31,356	6,616
Hong Kong	11,483	12,451
United States of America	6,681	107,729
South East Asia	5,197	14,264
Others	<u>-</u>	<u>1,431</u>
	<u><u>140,794</u></u>	<u><u>243,986</u></u>

3 OTHER (LOSSES)/GAINS – NET

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Net foreign exchange (loss)/gain	(2,921)	445
(Loss)/gain on disposal of property, plant and equipment and right-of-use assets	(2,264)	136
	<u>(5,185)</u>	<u>581</u>

4 LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the following:

(a) Finance costs – net

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Interest income from bank deposits	(389)	(673)
Interest on bank borrowings repayable within five years	3,868	5,116
Interest on lease liabilities	309	1,207
Less: borrowing costs capitalised as construction-in-progress	(27)	(135)
Other finance charges	212	201
	<u>4,362</u>	<u>6,389</u>
Finance costs – net	<u>3,973</u>	<u>5,716</u>

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Cost of sales	111,591	216,425
Depreciation of property, plant and equipment	13,105	15,973
Depreciation of right-of-use assets	1,842	1,303
Expenses related to short-term lease payments	857	2,506
Loss allowance on trade receivables	218	933
Reversal of loss allowance on contract assets	1	–
	<u>1</u>	<u>–</u>

5 INCOME TAX (CREDIT)/EXPENSE

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Current income tax		
PRC corporate income tax	196	75
Deferred income tax		
Origination and reversal of temporary differences	(515)	345
	<u>(319)</u>	<u>420</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 six months ended 31 January 2021 and 2020.

The Group's subsidiaries established in the People's Republic of China ("PRC") are subject to a corporate income tax rate of 25%, except for two subsidiaries. One of which is fully exempt from corporate income tax in the PRC for the first three years starting from 1 January 2015 to 31 December 2017 after obtaining the concession, following by a 50% tax exemption for the next three years. The other one subsidiary was certified as High and New Technology Enterprises and is entitled to a concessionary tax rate of 15% from 1 January 2018 to 31 December 2020, which is 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 in the PRC, 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.

6 DIVIDENDS

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

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 January 2021 and 2020.

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

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

7 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB6,620,000 (2020: RMB8,212,000) and the weighted average number of ordinary shares in issue during the current and the prior period as follows:

	Unaudited	
	Six months ended 31 January	
	2021	2020
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(6,620)</u>	<u>(8,212)</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,307,513</u>	<u>2,307,513</u>
Basic and diluted loss per share (<i>RMB cents</i>)	<u>(0.29)</u>	<u>(0.36)</u>

For the six months ended 31 January 2021 and 2020, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding during the year.

8 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	At 31 January 2021	At 31 July 2020
	RMB'000	RMB'000
Trade receivables	61,320	63,260
Bills receivable	<u>100</u>	<u>3,710</u>
Trade and bills receivables – gross	61,420	66,970
Less: Loss allowance	<u>(1,734)</u>	<u>(1,516)</u>
Trade and bills receivables – net	<u>59,686</u>	<u>65,454</u>
Other receivables, deposits and prepayments	62,349	58,919
Less: Loss allowance (<i>Note</i>)	<u>(34,000)</u>	<u>(34,000)</u>
Other receivables, deposits and prepayments – net	<u>28,349</u>	<u>24,919</u>
Less: Other receivables and prepayments (non-current)	<u>(365)</u>	<u>(6,295)</u>
Total trade and other receivables, deposits and prepayments (current)	<u>87,670</u>	<u>84,078</u>

Note:

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

On 1 November 2015, the Agreement lapsed as certain conditions as set out in the Agreement had not been fulfilled. The Group has been in discussions with the Vendor regarding the full refund of Deposits of RMB34,000,000. On 31 August 2016, a settlement agreement (“**Settlement Agreement**”) was entered into between the Group and the Vendor, pursuant to which the Vendor shall repay the Deposits and the interest thereon at 5% per annum by 30 November 2016.

Up to the date of this condensed consolidated financial information, the Deposits have not yet been refunded to the Group. In view of the lapse of the Agreement and Settlement Agreement, and there is no collateral or guarantee provided by the Vendor to the Group on the refund of the Deposits, loss allowance was made on the entire amount of the Deposits as at 31 January 2021 and 31 July 2020. The Group has commenced legal proceedings against the Vendor to claim for the full refund of Deposits and the relevant interests, and such case will be put on trial on 16 November 2021.

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

	Unaudited At 31 January 2021 RMB’000	Audited At 31 July 2020 RMB’000
Up to 3 months	54,679	64,632
3 to 6 months	5,823	766
Over 6 months	918	1,572
	61,420	66,970

Credit terms granted by the Group to customers generally range from 30 to 120 days.

The Group does not hold any collaterals from customer.

9 RESTRICTED BANK BALANCES

	Unaudited At 31 January 2021 RMB’000	Audited At 31 July 2020 RMB’000
Pledged deposits with banks (<i>Note</i>)	35,000	61,240

Note:

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

10 TRADE AND OTHER PAYABLES

	Unaudited At 31 January 2021 <i>RMB'000</i>	Audited At 31 July 2020 <i>RMB'000</i>
Trade payables	32,521	58,107
Accrued expenses and other payables	28,321	26,488
Payables for the purchase of property, plant and equipment	333	2,340
Contract liabilities (<i>Note</i>)	7,187	7,125
Deposits received	125	125
	<hr/>	<hr/>
Trade and other payables	68,487	94,185
	<hr/> <hr/>	<hr/> <hr/>

Note: Contract liabilities include receipts in advance from customers. All of contract liabilities are expected to be recognised as revenue within one year.

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

	Unaudited At 31 January 2021 <i>RMB'000</i>	Audited At 31 July 2020 <i>RMB'000</i>
Less than 1 month	12,798	13,209
1 month to 3 months	16,314	32,055
More than 3 months	3,409	12,843
	<hr/>	<hr/>
	32,521	58,107
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

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

FINANCIAL REVIEW

The Group recorded a revenue of RMB140.79 million, representing a significant decrease of RMB103.20 million or 42.30% as compared to RMB243.99 million for the corresponding period in 2020. Gross profit for the period increased from RMB27.56 million for the corresponding period in 2020 to RMB29.20 million. The gross profit margin raised from 11.30% to 20.74%. The decrease in revenue and increase in gross profit margin were mainly due to the Group implemented its strategies to focus on the higher value-added products and profitable customers.

The Group's operating expenses, composed of distribution costs and general and administrative expenses, decreased from RMB34.85 million to RMB29.81 million, a decrease of RMB5.04 million as compared to the corresponding period in 2020. The Group recorded a loss of RMB6.62 million as compared to RMB8.21 million in the corresponding period ended 31 January 2020.

Plastic injection and moulding business

The Group recorded a revenue of RMB90.80 million for this segment as compared to RMB100.04 million for the corresponding period in 2020, representing a decrease of RMB9.24 million or 9.24%.

Assembling of electronic products business

This segment recorded a revenue of RMB48.68 million, representing a significant decrease of RMB80.58 million or 62.34% from RMB129.26 million for the corresponding period in 2020. The significant drop in revenue was mainly due to a decrease in the sales orders caused by current cautious business and economic environment.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB1.31 million, representing a significant decrease of RMB13.38 million or 91.08% as compared to RMB14.69 million for the corresponding period in 2020 due to the decrease in the sales orders by the existing customers.

Distribution costs

Distribution costs amounted to RMB3.16 million, representing a decrease of RMB3.05 million or 49.11% as compared to RMB6.21 million in the corresponding period ended 31 January 2020. The decrease in distribution costs was mainly due to the decrease in distribution staff costs.

General and administrative expenses

General and administrative expenses amounted to RMB26.65 million, representing a decrease of RMB1.99 million or 6.95% as compared to RMB28.64 million for the corresponding period in 2020. The decrease was primarily due to lower research and development expenses of RMB1.30 million during the period.

Other (losses)/gains – net

During the period, the Group recorded other net losses of RMB5.18 million as compared to net gains of RMB0.58 million for the corresponding period in 2020, which comprised mainly net loss on disposal of property, plant and equipment and right-of-use assets of RMB2.26 million and net foreign exchange loss of RMB2.92 million.

Finance costs – net

The net finance costs for the period decreased by 30.59% or RMB1.75 million from RMB5.72 million for the corresponding period in 2020 to RMB3.97 million. The decrease was mainly due to lower interest-bearing borrowings during the period.

Future prospects

The global economy is facing with unprecedented situation due to the outbreak of COVID-19 pandemic in early January 2020 resulting in restrictions on travelling imposed by various countries and reduction in economic activities. The pandemic has hit various industries and created significant uncertainty in the global business environment.

The Group will continue to streamline its operation and formulate a stronger financial position with a light asset operation and lower geared structure and higher liquidity. By way of adopting a light assets and cost model, the Group will be able to improve its operational flexibility, reduce its debts and minimise the adverse impact of the pandemic on the business operation. In addition, the Group will continue to focus on the realignment of its US-based sales to non-US-based sales due to the continuing trade war between the United States (“US”) and China.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group financed its operations and investing activities mainly by means of internally generated operating cash flow, bank borrowings and lease liabilities. As at 31 January 2021, the Group had cash and cash equivalents and restricted bank balances of RMB84.33 million (31 July 2020: RMB165.67 million), of which RMB35.00 million (31 July 2020: RMB61.24 million) was pledged to banks for the facilities granted to the Group. 30.26%, 68.92% and 0.81% of cash and cash equivalents and restricted bank balances are denominated in United States dollars (“USD”), Renminbi (“RMB”) and Hong Kong dollars (“HK\$”), respectively.

As at 31 January 2021, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB98.76 million (31 July 2020: RMB173.51 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (19.66%), RMB (63.44%) and HK\$ (16.90%), and the maturity profile is as follows:

Repayable	As at 31 January 2021		As at 31 July 2020	
	RMB million (Unaudited)	%	RMB million (Audited)	%
Within one year	62.65	63.44%	134.31	77.41
After one year but within two years	–	–	39.20	22.59
After two years but within three years	36.11	36.56%	–	–
Total borrowings including lease liabilities and loans from a director	98.76	100.00	173.51	100.00
Cash and cash equivalents and restricted bank balances	(84.33)		(165.67)	
Net borrowings including lease liabilities and loans from a director	14.43		7.84	

As at 31 January 2021, the Group's net current assets were RMB80.13 million (31 July 2020: RMB63.98 million). As at 31 January 2021, the Group has undrawn bank facilities of RMB69.09 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

Gearing ratio is calculated based on net borrowings including lease liabilities and loans from a director at the end of the period divided by total assets at the end of the period multiplied by 100%. Accordingly, the gearing ratio of the Group as at 31 January 2021 was 2.77% (31 July 2020: 1.25%).

CHARGES ON GROUP ASSETS

As at 31 January 2021, certain assets of the Group with an aggregate carrying value of RMB65.89 million (31 July 2020: RMB89.60 million) were pledged to secure loan and trade financing facilities for the Group.

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

The Group did not conduct any significant investments, material acquisitions or disposals. The Group has been streamlining its operation over the years with an aim to improve the Group's financial position by adopting a light asset operation and lower geared structure and higher liquidity. As at the date of this interim results announcement, the Group does not have any concrete plan for material investments or capital assets.

CONTINGENT LIABILITIES

The Group does not have any material contingent liabilities as at 31 January 2021.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risks primarily through sales, purchases and borrowings that are denominated in currencies other than the functional currency of individual group entities. The currencies giving rise to the risk was primarily USD.

During the period, the Group has made net foreign exchange loss of RMB2.92 million (2020: net gain of RMB0.44 million) mainly due to the unrealised and realised foreign exchange loss.

Most of the Group's sales transactions are denominated in RMB and USD and certain payments of the Group were made in RMB and USD. In view of fluctuations of the RMB against the USD during the period, the Group was exposed to foreign currency risk primarily in respect of trade receivables and cash and cash equivalents denominated in USD.

At 31 January 2021, if RMB had weakened/strengthened by 5% against US\$, with all other variables held constant, post-tax loss for the period would have been approximately RMB1,324,000 lower/higher (2020: post-tax loss for the period would have been approximately RMB1,359,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

At 31 January 2021, if RMB had weakened/strengthened by 5% against HK\$, with all other variables held constant, post-tax loss for the period would have been approximately RMB672,000 higher/lower (2020: post-tax loss for the period would have been approximately RMB1,105,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

The Group will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2021, the Group had a total of 578 employees (31 July 2020: 935). During the period, the Group did not make significant change to the Group's remuneration policies. Human resources expenses of the Group (excluding Directors' remuneration) for the period amounted to RMB34.58 million (2020: RMB59.38 million). The decrease in human resources expenses was mainly due to the decrease in the number of employees during the period. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

The Group has adopted a provident fund scheme for its employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group is contributing mandatory government pension scheme for its employees in the PRC.

As a public listed entity, the Group has adopted a share option scheme to provide incentives to eligible directors and employees of the Group to promote the Group's success.

DIVIDENDS

The Board does not recommend any dividend payment for the six months ended 31 January 2021 (2020: nil).

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

During the period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2021 and is of the opinion that such statements comply with the applicable accounting standards, the Rules ("**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 31 January 2021 requiring disclosure in this interim results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2021.

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

Johor Bahru, Malaysia
29 March 2021

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

Executive Directors:

Mr. Beh Kim Ling
Mr. Gan Sem Yam
Mr. Zhang Pei Yu
Mr. Beh Chern Wei

Independent non-executive Directors:

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

Non-executive Director:

Mr. Gan Tiong Sia