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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 2022

HIGHLIGHTS

- Revenue decreased by 52.62% to RMB121.40 million;
- Loss for the year attributable to owners of the Company was RMB48.25 million;
- Basic loss per share was 2.09 Renminbi cent.

The Board (“**Board**”) of directors (“**Directors**”) of V.S. International Group Limited (“**Company**”) would like to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the financial year ended 31 July 2022, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with comparative figures for the previous financial year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2022

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	2	121,401	256,196
Cost of sales		<u>(111,227)</u>	<u>(201,889)</u>
Gross profit		10,174	54,307
Other income	3	4,563	5,022
Other losses – net	3	(26,098)	(7,477)
Distribution costs		(3,209)	(5,901)
General and administrative expenses		(34,694)	(45,074)
Net impairment losses on financial assets		<u>(12)</u>	<u>(4,810)</u>
Operating loss	4	(49,276)	(3,933)
Finance income		1,056	518
Finance costs		<u>(2,218)</u>	<u>(6,223)</u>
Finance costs – net	5	(1,162)	(5,705)
Share of net profit of an associate accounted for using the equity method		<u>2,130</u>	<u>4,447</u>
Loss before income tax		(48,308)	(5,191)
Income tax credit/(expense)	6	<u>61</u>	<u>(421)</u>
Loss for the year attributable to owners of the Company		<u>(48,247)</u>	<u>(5,612)</u>
		2022 RMB cent	2021 <i>RMB cent</i>
Loss per share attributable to owners of the Company during the year			
Basic and diluted	8	<u>(2.09)</u>	<u>(0.24)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2022

		As at 31 July 2022	As at 31 July 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		209,655	263,054
Right-of-use assets		14,947	24,550
Financial asset at fair value through other comprehensive income		3,100	3,700
Investment accounted for using the equity method		7,496	5,366
Deferred income tax assets		–	1,027
		<u>235,198</u>	<u>297,697</u>
Current assets			
Inventories		16,445	24,435
Contract assets		597	15,039
Trade and other receivables, deposits and prepayments	9	41,027	60,082
Amounts due from related parties		663	3,072
Restricted bank balances	10	6,000	48,435
Cash and cash equivalents		68,606	43,196
		<u>133,338</u>	<u>194,259</u>
Total assets		<u>368,536</u>	<u>491,956</u>
EQUITY			
Capital and reserves			
Share capital		105,013	105,013
Share premium		306,364	306,364
Other deficits		<u>(109,422)</u>	<u>(60,575)</u>
Total equity attributable to owners of the Company		<u>301,955</u>	<u>350,802</u>

	<i>Note</i>	As at 31 July 2022 <i>RMB'000</i>	As at 31 July 2021 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Loans from a director		37,413	36,005
Deferred income tax liabilities		<u>916</u>	<u>2,823</u>
		38,329	38,828
Current liabilities			
Trade and other payables	<i>11</i>	27,589	47,792
Amounts due to related parties		570	633
Borrowings		–	53,625
Lease liabilities		–	215
Tax payables		<u>93</u>	<u>61</u>
		28,252	102,326
Total liabilities		66,581	141,154
Total equity and liabilities		368,536	491,956

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for financial asset at fair value through other comprehensive income, which is measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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

The Group has applied the following new standards, amendments to existing standards and interpretations for the first time for their annual reporting period commencing 1 August 2021:

Standards	Subject of amendment
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform
Amendments to HKFRS 3	Definition of a business
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The adoption of these new and amended standards did not have any significant impact on the preparation of the consolidated financial statements of the Group.

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

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 July 2022 reporting periods and have not been early adopted by the Group.

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Amendments to Annual Improvement Project	Annual improvements 2018-2021 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41)	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HK-Interpretation 5 (2021)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors	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 by HKICPA

The above new and amendments to existing standards do not expect to have a material impact on the consolidated financial statements of the Group. The Group will adopt the new and amendments to existing standards when they become effective.

2. SEGMENT INFORMATION

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

The CODM assesses the performance of single operating segment based on a measure of profit/loss before adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. The CODM assesses the performance of the following three reportable segments and regards them being the reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

Revenue for the year consists of the following:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Plastic injection and moulding	88,911	154,099
Assembling of electronic products	29,430	95,732
Mould design and fabrication	3,060	6,365
	<u>121,401</u>	<u>256,196</u>

The Group's customer base is diversified but includes three (2021: three) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2022.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible and current assets other than financial asset at fair value through other comprehensive income, deferred income tax assets, investment accounted for using the equity method and unallocated head office and corporate assets. Segment liabilities include trade and other payables 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. The measure used for reporting segment profit/loss is "segment result". To arrive at "segment result", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

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

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 July 2022 and 2021 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	<u>88,911</u>	<u>154,099</u>	<u>29,430</u>	<u>95,732</u>	<u>3,060</u>	<u>6,365</u>	<u>121,401</u>	<u>256,196</u>
Reportable segment result	<u>9,078</u>	<u>32,579</u>	<u>(8,580)</u>	<u>5,593</u>	<u>182</u>	<u>1,332</u>	<u>680</u>	<u>39,504</u>

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other segment information								
Year ended 31 July								
Depreciation and amortisation for the year	6,719	12,041	2,973	5,213	63	339	9,755	17,593
Impairment on property, plant and equipment	16,110	3,827	412	1,895	118	47	16,640	5,769
Impairment on right-of-use assets	1,415	1,399	–	1,876	822	127	2,237	3,402
Provision/(reversal) for impairment of inventories	318	(1,222)	4,424	(1,439)	–	–	4,742	(2,661)
Addition to non-current assets during the year	257	46	–	500	–	–	257	546
As at 31 July								
Reportable segment assets	161,753	191,348	3,861	43,589	9,914	19,120	175,528	254,057
Reportable segment liabilities	6,835	8,974	13,177	31,375	443	502	20,455	40,851

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Reportable segment revenue	121,401	256,196
Consolidated revenue	121,401	256,196
Profit or loss		
Reportable segment profit	680	39,504
Finance income	1,056	518
Finance costs	(2,218)	(6,223)
Share of net profit of an associate accounted for using the equity method	2,130	4,447
Unallocated depreciation and amortisation	(13,026)	(7,098)
Unallocated head office and corporate expenses	(36,930)	(36,339)
Consolidated loss before income tax	(48,308)	(5,191)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Assets		
Reportable segment assets	175,528	254,057
Deferred income tax assets	–	1,027
Investment accounted for using the equity method	7,496	5,366
Financial asset at fair value through other comprehensive income	3,100	3,700
Unallocated head office and corporate assets	<u>182,412</u>	<u>227,806</u>
Consolidated total assets	<u>368,536</u>	<u>491,956</u>
Liabilities		
Reportable segment liabilities	20,455	40,851
Deferred income tax liabilities	916	2,823
Unallocated head office and corporate liabilities	<u>45,210</u>	<u>97,480</u>
Consolidated total liabilities	<u>66,581</u>	<u>141,154</u>

The Group's business is operated in five (2021: five) major economic environments.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	93,647	151,125
Europe	13,817	65,327
Hong Kong	11,921	21,439
United States of America	1,521	10,966
South East Asia	<u>495</u>	<u>7,339</u>
	<u>121,401</u>	<u>256,196</u>

3. OTHER INCOME AND OTHER LOSSES – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Sales of scrap materials	468	242
Government grants	3,542	4,209
Sundry income	553	571
	<u>4,563</u>	<u>5,022</u>
Other losses – net		
Impairment on property, plant and equipment	(16,640)	(5,769)
Impairment on right-of-use assets	(2,237)	(3,402)
Net foreign exchange gains/(losses)	1,406	(1,990)
Net (loss)/gain on disposal of property, plant and equipment and right-of-use assets	(4,807)	2,765
Net loss on property, plant and equipment and right-of-use assets written off	(8,833)	–
Reversal of accruals	5,013	–
Gain on deemed disposal of an associate	–	919
	<u>(26,098)</u>	<u>(7,477)</u>

4. OPERATING LOSS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditors' remuneration		
– Audit services	1,602	1,620
– Non-audit services	111	179
Legal and professional fee	1,848	4,442
Cost of sales (<i>Note</i>)	111,227	201,889
Net impairment losses on financial assets	12	4,810
Depreciation on property, plant and equipment	22,096	21,249
Depreciation on right-of-use assets	685	3,442
Expenses relating to short-term leases	1,492	1,516
Provision/(reversal of provision) for impairment of inventories	4,742	(2,661)
Staff costs	40,613	65,131
	<u>40,613</u>	<u>65,131</u>

Note:

Cost of sales included staff costs, depreciation, provision for impairment of inventories and expenses relating to short-term leases, amounting to RMB40,895,000 (2021: RMB52,439,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of the expenses.

5. FINANCE COSTS – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance income		
Bank interest income	(1,056)	(518)
Finance costs		
Interest on bank borrowings	854	4,392
Interest on loans from a director	1,251	1,346
Interest expenses on lease liabilities	7	388
Less: borrowing costs capitalised as construction in progress (<i>Note</i>)	—	(46)
	<u>2,112</u>	<u>6,080</u>
Other finance charges	106	143
	<u>2,218</u>	<u>6,223</u>
Finance costs – net	<u><u>1,162</u></u>	<u><u>5,705</u></u>

Note: No borrowing costs had been capitalised as there was no qualifying asset during the year ended 31 July 2022. During the year ended 31 July 2021, borrowing costs had been capitalised at the Group's weighted average effective interest rate of 5.1% per annum for construction in progress.

6. INCOME TAX CREDIT/(EXPENSE)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax		
Current the People's Republic of China (“PRC”) corporate income tax	(818)	(329)
Deferred income tax		
Origination and reversal of temporary differences	879	(92)
	<u>61</u>	<u>(421)</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 2022 and 2021.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%.

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 2022 and 2021.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of RMB48,247,000 (2021: RMB5,612,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss attributable to owners of the Company	<u>(48,247)</u>	<u>(5,612)</u>
	2022	2021
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>(2.09)</u>	<u>(0.24)</u>

For the years ended 31 July 2022 and 2021, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding during the year.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	18,465	40,010
Less: Loss allowance	<u>(315)</u>	<u>(325)</u>
Trade receivables – net	18,150	39,685
Other receivables, deposits and prepayments – net	<u>22,877</u>	<u>20,397</u>
Total trade and other receivables, deposits and prepayments (current)	<u>41,027</u>	<u>60,082</u>

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

	2022 RMB'000	2021 <i>RMB'000</i>
Up to 3 months	15,717	39,180
3 to 6 months	2,448	505
Over 6 months	300	325
	<u>18,465</u>	<u>40,010</u>

10. RESTRICTED BANK BALANCES

	2022 RMB'000	2021 <i>RMB'000</i>
Deposits with banks (<i>Note</i>)	5,000	47,435
Other restricted bank balance	1,000	1,000
	<u>6,000</u>	<u>48,435</u>

Note:

As at 31 July 2022, the deposits were placed in a restricted bank account, and the deposits were subsequently released from restriction in September 2022.

As at 31 July 2021, the deposits were pledged to banks as security for certain banking facilities.

11. TRADE AND OTHER PAYABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	7,876	22,702
Accrued expenses and other payables (<i>Note a</i>)	11,154	17,052
Payables for the purchase of property, plant and equipment	38	38
Contract liabilities (<i>Note b</i>)	8,396	7,875
Deposit received	125	125
	<hr/>	<hr/>
Trade and other payables	27,589	47,792
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The accrued expenses and other payables primarily include accrued staff costs, accrued transportation costs, interest payables and value-added tax payables.
- (b) Contract liabilities include receipts in advance from customers.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 month	2,910	7,948
1 to 3 months	3,284	7,328
More than 3 months	1,682	7,426
	<hr/>	<hr/>
	7,876	22,702
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

INDUSTRY OVERVIEW

During the financial year, the Group continued to implement its strategies to focus on costs control.

FINANCIAL REVIEW

Revenue, Gross Profit and Segment Results

During the financial year, the Group recorded a revenue of RMB121.40 million, representing a decrease of RMB134.80 million or 52.62% from RMB256.20 million in the previous year. The major contributor of the Group's revenue was plastic injection and moulding division which accounted for 73.24% (2021: 60.15%) of the Group's revenue, and the remaining from assembling of electronic products division and mould design and fabrication division, which accounted for 24.24% (2021: 37.37%) and 2.52% (2021: 2.48%) of the Group's revenue respectively.

Gross profit decreased by RMB44.14 million and recorded at RMB10.17 million, representing 8.38% of its revenue during the financial year as compared to gross profit of RMB54.31 million, representing 21.20% of its revenue in the previous year.

Plastic Injection and Moulding

The Group recorded a revenue of RMB88.91 million for this segment, representing a decrease of RMB65.19 million or 42.30% as compared to RMB154.10 million for the corresponding financial year in 2021 mainly due to the decrease in the sales orders in the PRC by two existing customers.

Assembling of Electronic Products

This segment recorded a revenue of RMB29.43 million, representing a significant decrease of RMB66.30 million or 69.26% from RMB95.73 million for the corresponding financial year in 2021. The drop in revenue was mainly due to a drop in the amount of orders in Europe and the United States of America placed by a customer that ceased business operation in 2022.

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB3.06 million, representing a significant decrease of RMB3.31 million or 51.96% as compared to RMB6.37 million for the corresponding financial year in 2021 due to the decrease in the sales orders in Hong Kong by an existing customer caused by the current cautious business and economic environment.

Other Losses – Net

During the financial year, the Group recorded other net losses of RMB26.10 million as compared to RMB7.48 million for the corresponding financial year in 2021, which comprised mainly net foreign exchange gains of RMB1.41 million and reversal of accruals of RMB5.01 million, which were offset by a provision of impairment of RMB16.64 million on property, plant and equipment (“**PPE**”), a provision of impairment of RMB2.24 million on right-of-use assets (“**ROU**”), net loss on disposal of PPE and ROU of RMB4.81 million and net loss on PPE and ROU written off of RMB8.83 million, which mainly included the costs of disposal and written off of idle and obsolete PPE and ROU.

The unstable trading relationship between China and the United States continues to adversely impact the Group’s business performance. Management ceased operation of certain manufacturing lines in previous year in which, certain machinery and equipment (included in PPE and ROU) with a carrying amount of RMB7,440,000 (before impairment provision made in the current year) were not expected to be used in production in the future. Therefore, there is no future economic benefit arisen from these machinery and equipment, and the related value-in-use is neglectable. For these machinery and equipment, management estimated the recoverable amount of RMB1,429,000 based on their fair value less costs of disposal by making reference to price quotation obtained from a third-party buyer. Accordingly, for the year ended 31 July 2022, impairment losses of PPE and ROU of RMB4,801,000 and RMB1,210,000, respectively, were further recognised in the consolidated income statement.

For the remaining of PPE and ROU (excluding land and buildings) with carrying value of RMB72,259,000 (before impairment provision made in the current year), management performed impairment assessment by cash-generating units (“**CGUs**”) as at 31 July 2022. The Group regarded the machinery and equipment used in business operation, and solar power generating machinery and equipment as attributable to separately identifiable CGUs. For the impairment testing purpose, the recoverable amounts of the CGUs are determined based on value-in-use calculations, which are higher than the fair value less costs of disposal calculations.

For the machinery and equipment used in business operation, in estimating the present value of future net cash flows of the business operation CGU, after considering the historical results, the prevailing market trends and the expected remaining useful lives of the relevant PPE and ROU, the management made key assumptions and estimation on the financial forecasts with major assumptions such as percentage changes in revenue in the first year of -40% and in second to the eighth year of 0% and gross profit margin of 4% as well as pre-tax discount rate of 12%. Accordingly, for the year ended 31 July 2022, impairment losses of PPE and ROU of RMB3,696,000 and RMB1,027,000, respectively, were recognised in the consolidated income statement (2021: nil).

If the forecast revenue growth rate had been lowered by 10 basis point for the machinery and equipment used in business operation for the forecasted projection period in the second to the eighth year, a further impairment of PPE and ROU of approximately RMB1,658,000 would have been resulted.

If the discount rate had been increased to 14% for the machinery and equipment used in business operation for the forecasted projection period in the second to the eighth year, a further impairment of PPE and ROU of approximately RMB1,890,000 would have been resulted.

For the solar power generating machinery and equipment, in estimating the present value of future net cash flows of the CGU, after considering the historical results, the prevailing price of electricity and government policies and the expected remaining useful lives of the relevant PPE, the management has made key assumptions and estimation on the financial forecasts with major assumptions such as estimated electricity generating from the solar power generating machinery and equipment of the remaining useful life as well as pre-tax discount rate of 12%. Accordingly, for the year ended 31 July 2022, impairment losses of PPE of RMB8,143,000 were recognised in the consolidated income statement (2021: nil).

If the forecast estimated electricity generated had been lowered by 40 basis point for the solar power generating machinery and equipment for the forecasted projection period, a further impairment of approximately RMB2,264,000 would have been resulted.

If the discount rate had been increased to 14% for the solar power generating machinery and equipment for the forecasted projection period, a further impairment of PPE of approximately RMB3,453,000 would have been resulted.

Distribution Costs

Distribution costs for the financial year amounted to RMB3.21 million, representing a decrease of RMB2.69 million or 45.59% from RMB5.90 million in the previous financial year. The decrease in distribution costs was mainly due to the decrease in carriage outward.

General and Administrative Expenses

General and administrative expenses amounted to RMB34.69 million for the financial year, representing a decrease of RMB10.38 million or 23.03% as compared to RMB45.07 million for the corresponding financial year in 2021. The decrease was primarily due to lower human resources expenses of RMB4.98 million and legal and professional fee of RMB2.59 million during the financial year.

Finance Costs – Net

The net finance costs for the year decreased by 79.68% to RMB1.16 million (2021: RMB5.71 million). The significant decrease was mainly due to lower interest-bearing borrowings during the financial year.

Share of Net Profit of an Associate Accounted for Using the Equity Method

The Group's share of net profit of an associate accounted for using the equity method of RMB2.13 million (2021: RMB4.45 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, bank borrowings, loans from a director and lease liabilities. As at 31 July 2022, the Group had cash and cash equivalents and restricted bank balances of RMB74.61 million (2021: RMB91.63 million). 69.34%, 30.31% and 0.35% 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 July 2022, the Group had outstanding loans from a director of RMB37.41 million (2021: interest bearing borrowings of RMB89.85 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (54.07%) and HK\$ (45.93%), and the maturity profile is as follows:

Repayable	As at 31 July 2022		As at 31 July 2021	
	RMB million	%	RMB million	%
Within one year	—	—	53.84	59.92
After one year but within two years	<u>37.41</u>	<u>100.00</u>	<u>36.01</u>	<u>40.08</u>
Total borrowings including lease liabilities and loans from a director	<u>37.41</u>	<u>100.00</u>	<u>89.85</u>	<u>100.00</u>
Cash and cash equivalents and restricted bank balances	<u>(74.61)</u>		<u>(91.63)</u>	
Net cash and cash equivalents and restricted bank balances	<u>(37.20)</u>		<u>(1.78)</u>	

As at 31 July 2022, the total net cash and cash equivalents and restricted bank balances of the Group recorded at RMB37.20 million (2021: RMB1.78 million), representing 10.09% (2021: 0.36%) of total assets and 12.32% (2021: 0.51%) of total equity.

The Group monitors its capital on the basis of its gearing ratio. The gearing ratio is calculated as the Group’s net borrowings at the end of the financial year divided by total capital at the end of the financial year. Net borrowings of the Group is calculated as its total borrowings including lease liabilities and loans from a director less cash and cash equivalents and restricted bank balances. Total capital is calculated as total equity attributable to owners of the Company plus net borrowings including lease liabilities and loans from a director. Gearing ratio was not presented as the Group was at a net cash position as at 31 July 2021 and 2022.

As at 31 July 2022, the Group's net current assets were RMB105.09 million (2021: RMB91.93 million). As at 31 July 2022, there were no bank facilities available to the Group (2021: 23.90 million) for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2022, the Group's total equity attributable to owners of the Company was RMB301.96 million (2021: RMB350.80 million). Total assets of the Group amounted to RMB368.54 million (2021: RMB491.96 million), 60.94% (2021: 58.46%) of which comprised property, plant, equipment and right-of-use assets.

CHARGES ON GROUP ASSETS

As at 31 July 2022, no assets of the Group were pledged to secure loan and trade financing facilities for the Group (31 July 2021: RMB64.26 million).

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 results announcement, the Group does not have any concrete plan for material investments or capital assets.

SIGNIFICANT INVESTMENTS HELD

During the financial year, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITY

The Group does not have material contingent liability as at 31 July 2022.

FOREIGN EXCHANGE EXPOSURE

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

During the financial year, the Group has made net foreign exchange gains of RMB1.41 million (2021: net losses of RMB1.99 million) mainly due to the unrealised and realised foreign exchange gain.

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 trade receivables and cash and cash equivalents denominated in USD.

As at 31 July 2022, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax loss for the year would have been approximately RMB1,443,000 lower/higher (2021: post-tax loss for the year would have been approximately RMB1,033,000 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.

As at 31 July 2022, if RMB had weakened/strengthened by 5% against HK\$, with all other variables held constant, post-tax loss for the year would have been approximately RMB762,000 higher/lower (2021: post-tax loss for the year would have been approximately RMB641,000 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 July 2022, the Group had a total of 253 employees (2021: 490). 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) for the financial year amounted to RMB35.43 million (2021: RMB58.74 million). The decrease in human resources expenses was mainly due to the decrease 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.

DIVIDENDS

The Board does not recommend any dividend payment for the financial year ended 31 July 2022 (2021: nil).

FUTURE PROSPECTS AND CHALLENGES

The global economy has been facing with prolonging COVID-19 pandemic since early January 2020. The current restrictions on travelling to and in China due to the dynamic clearance policy adopted by the China government in combating the pandemic may affect the China domestic and regional economic activities. In addition, rising in inflation rate and fear of global recession cause uncertainty in world economy.

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 should be able to improve its operational flexibility, reduce its debts and minimise the adverse impact on the business operation.

THE COVID-19 PANDEMIC'S IMPACT

The outbreak of COVID-19 has expanded globally and the prevention and control measures to combat the disease have continued to be implemented by different countries. The Directors will continue to closely monitor the development of the COVID-19 and assess its impact on the financial position, and operational results of the Group. At present, the Group does not foresee any material change in its exposures to credit risk and liquidity risk. The Group has remained to be financially stable as at 31 July 2022 and experienced no material recovery problem.

EVENTS AFTER THE REPORTING DATE

There were no other significant events affecting the Company nor any of its subsidiaries after the reporting date as at 31 July 2022 requiring disclosure in this results announcement.

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

During the year ended 31 July 2022, 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 of the Company has reviewed the Group's annual financial results for the year ended 31 July 2022 and is of the opinion that such statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and the requirements of applicable laws, codes and regulations and that adequate disclosure pursuant thereto have been made.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions (“**Code Provisions**”) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the financial year except for the following provision.

According to Code Provision A.2.1 (re-numbered as C2.1 for financial years commencing on or after 1 January 2022), 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 (re-numbered as C2.1 for financial years commencing on or after 1 January 2022) as part of his duties overlap with those of the Managing Director, who is in practice the chief executive. As the founder of the Group, Mr. Beh Kim Ling has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group’s operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the year with the SD Code or Appendix 10 to the Listing Rules throughout the financial year ended 31 July 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement and the related notes thereto for the year ending 31 July 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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
26 September 2022

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