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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 2023**

#### **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 2023, which have been reviewed by the audit committee (“**Audit Committee**”) of the Board.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 31 JANUARY 2023**

		<b>Unaudited</b>	
		<b>Six months ended 31 January</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	2	<b>35,830</b>	85,583
Cost of sales		<u>(32,239)</u>	<u>(75,382)</u>
<b>Gross profit</b>		<b>3,591</b>	10,201
Other income – net		<b>2,385</b>	1,578
Other gains – net	3	<b>2,237</b>	370
Distribution costs		<b>(954)</b>	(2,197)
General and administrative expenses		<b>(15,426)</b>	(19,506)
Reversal of impairment loss on financial assets		<u><b>1</b></u>	<u>2</u>
<b>Operating loss</b>		<b>(8,166)</b>	(9,552)
Finance costs – net	4(a)	<b>(464)</b>	(461)
Share of net profit of an associate accounted for using the equity method		<u><b>287</b></u>	<u>622</u>
<b>Loss before income tax</b>	4	<b>(8,343)</b>	(9,391)
Income tax (expenses)/credit	5	<u><b>(54)</b></u>	<u>1,570</u>
<b>Loss for the period attributable to owners of the Company</b>		<u><b>(8,397)</b></u>	<u>(7,821)</u>
<b>Loss per share attributable to owners of the Company during the period (Renminbi cents)</b>			
<b>Basic and diluted</b>	7	<u><b>(0.36)</b></u>	<u>(0.34)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 31 JANUARY 2023*

		<b>Unaudited</b>	Audited
		<b>At 31 January</b>	At 31 July
		<b>2023</b>	2022
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>201,835</b>	209,655
Right-of-use assets		<b>14,622</b>	14,947
Financial asset at fair value through other comprehensive income		<b>3,100</b>	3,100
Investment accounted for using the equity method		<b>7,783</b>	7,496
		<u>227,340</u>	<u>235,198</u>
		<u>227,340</u>	<u>235,198</u>
<b>Current assets</b>			
Inventories		<b>12,948</b>	16,445
Contract assets		<b>47</b>	597
Trade and other receivables, deposits and prepayments	8	<b>27,858</b>	41,027
Amounts due from related parties		<b>544</b>	663
Restricted bank balances	9	<b>–</b>	6,000
Cash and cash equivalents		<b>85,591</b>	68,606
		<u>126,988</u>	<u>133,338</u>
		<u>126,988</u>	<u>133,338</u>
<b>Total assets</b>		<b><u>354,328</u></b>	<b><u>368,536</u></b>

		<b>Unaudited</b>	Audited
		<b>At 31 January</b>	At 31 July
		<b>2023</b>	2022
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		<b>105,013</b>	105,013
Share premium		<b>306,364</b>	306,364
Other deficits		<b>(117,819)</b>	(109,422)
		<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>		<b>293,558</b>	301,955
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from a director		<b>37,535</b>	37,413
Deferred income tax liabilities		<b>920</b>	916
		<hr/>	<hr/>
		<b>38,455</b>	38,329
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>21,744</b>	27,589
Amounts due to related parties		<b>544</b>	570
Tax payable		<b>27</b>	93
		<hr/>	<hr/>
		<b>22,315</b>	28,252
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>60,770</b>	66,581
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<b>Total equity and liabilities</b>		<b>354,328</b>	368,536
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## 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 2023 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 2022, 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 2022.

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 2022, except as mentioned below.

### (a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 August 2022:

<b>Standards</b>	<b>Subject of amendment</b>
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments
Amendments to Annual Improvement Project	Annual improvements 2018-2021 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41)
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of the above amendments did not have any significant impact on the preparation of this 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 2022 and have not been early adopted by the Group:

<b>Standards</b>	<b>Subject of amendment</b>	<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance contracts and the related amendments	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These new standards 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 other than financial asset at fair value through other comprehensive income, investment accounted for using the equity method and unallocated head office and corporate assets. Segment liabilities include trade and other payables 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:

	<b>Unaudited</b>	
	<b>Six months ended 31 January</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue		
Plastic injection and moulding	28,191	56,520
Assembling of electronic products	5,900	26,860
Mould design and fabrication	1,739	2,203
	<u>35,830</u>	<u>85,583</u>
Timing of revenue recognition		
At a point in time	33,674	68,083
Over time	2,156	17,500
	<u>35,830</u>	<u>85,583</u>

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

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”, management 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 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	
	2023	2022	2023	2022	2023	2022	2023	2022
	<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>
<b>Six months ended 31 January:</b>								
Revenue from external customers	<u>28,191</u>	<u>56,520</u>	<u>5,900</u>	<u>26,860</u>	<u>1,739</u>	<u>2,203</u>	<u>35,830</u>	<u>85,583</u>
Reportable segment result	<u>(261)</u>	<u>12,082</u>	<u>87</u>	<u>(7,323)</u>	<u>501</u>	<u>830</u>	<u>327</u>	<u>5,589</u>
Additions to non-current segment assets during the period	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>
<b>At 31 January/31 July:</b>								
Reportable segment assets	<u>143,102</u>	<u>161,753</u>	<u>2,287</u>	<u>3,861</u>	<u>12,868</u>	<u>9,914</u>	<u>158,257</u>	<u>175,528</u>
Reportable segment liabilities	<u>6,584</u>	<u>6,835</u>	<u>9,057</u>	<u>13,177</u>	<u>373</u>	<u>443</u>	<u>16,014</u>	<u>20,455</u>

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

	Unaudited	
	Six months ended 31 January	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	<u>35,830</u>	<u>85,583</u>
Consolidated revenue	<u>35,830</u>	<u>85,583</u>
<b>Profit or loss</b>		
Reportable segment profit	327	5,589
Finance costs – net ( <i>Note 4(a)</i> )	(464)	(461)
Share of net profit of an associate accounted for using the equity method	287	622
Unallocated depreciation and amortisation	(3,635)	(8,433)
Unallocated operating income and expenses	<u>(4,858)</u>	<u>(6,708)</u>
Loss before income tax	<u>(8,343)</u>	<u>(9,391)</u>



	<b>Unaudited</b> <b>At 31 January</b> <b>2023</b> <b>RMB'000</b>	Audited At 31 July 2022 RMB'000
<b>Assets</b>		
Reportable segment assets	158,257	175,528
Financial asset at fair value through other comprehensive income	3,100	3,100
Investment accounted for using the equity method	7,783	7,496
Unallocated head office and corporate assets	<u>185,188</u>	<u>182,412</u>
Consolidated total assets	<u><b>354,328</b></u>	<u><b>368,536</b></u>
<b>Liabilities</b>		
Reportable segment liabilities	16,014	20,455
Deferred income tax liabilities	920	916
Unallocated head office and corporate liabilities	<u>43,836</u>	<u>45,210</u>
Consolidated total liabilities	<u><b>60,770</b></u>	<u><b>66,581</b></u>

**(c) Revenue by geographical locations**

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

	<b>Unaudited</b> <b>Six months ended 31 January</b>	
	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Mainland China	29,642	61,729
Hong Kong	6,115	7,995
South East Asia	73	497
Europe	–	13,841
United States of America	<u>–</u>	<u>1,521</u>
	<u><b>35,830</b></u>	<u><b>85,583</b></u>

### 3 OTHER GAINS – NET

	Unaudited	
	Six months ended 31 January	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange gain	684	303
Gain on disposal of property, plant and equipment and right-of-use assets	1,553	67
	<u>2,237</u>	<u>370</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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits	(493)	(996)
Interest on bank borrowings	–	825
Interest on loans from a director	909	554
Interest expenses on lease liabilities	–	7
Other finance charges	48	71
	<u>957</u>	<u>1,457</u>
Finance costs – net	<u>464</u>	<u>461</u>

#### (b) Other items

	Unaudited	
	Six months ended 31 January	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Legal and professional fee	1,178	969
Cost of sales	32,239	75,382
Depreciation on property, plant and equipment	6,729	12,312
Depreciation on right-of-use assets	325	1,402
Expenses relating to short-term leases	768	802
Reversal of provision for impairment loss on financial assets	(1)	(2)
Provision for impairment of inventories	35	3,884
	<u>35</u>	<u>3,884</u>

## 5 INCOME TAX (EXPENSES)/CREDIT

	Unaudited	
	Six months ended 31 January	
	2023	2022
	RMB'000	RMB'000
<b>Current income tax</b>		
PRC corporate income tax	(50)	(86)
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	(4)	1,656
	<b>(54)</b>	<b>1,570</b>

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 2023 and 2022.

The Group's subsidiaries established in the People's Republic of China ("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.

## 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 2023 and 2022.

### (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 RMB8,397,000 (2022: RMB7,821,000) and the weighted average number of ordinary shares in issue during the current and the prior period as follows:

	<b>Unaudited</b>	
	<b>Six months ended 31 January</b>	
	<b>2023</b>	<b>2022</b>
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<u><b>(8,397)</b></u>	<u><b>(7,821)</b></u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<u><b>2,307,513</b></u>	<u><b>2,307,513</b></u>
Basic and diluted loss per share ( <i>RMB cents</i> )	<u><b>(0.36)</b></u>	<u><b>(0.34)</b></u>

For the six months ended 31 January 2023 and 2022, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding during the period.

## 8 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>Unaudited</b>	<b>Audited</b>
	<b>At 31 January</b>	<b>At 31 July</b>
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Trade receivables	<b>10,474</b>	18,465
Less: Loss allowance	<u><b>(315)</b></u>	<u><b>(315)</b></u>
Trade receivables – net	<b>10,159</b>	18,150
Other receivables, deposits and prepayments – net	<u><b>17,699</b></u>	<u><b>22,877</b></u>
Total trade and other receivables, deposits and prepayments (current)	<u><b>27,858</b></u>	<u><b>41,027</b></u>

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>At 31 January</b>	<b>At 31 July</b>
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Up to 3 months	<b>9,511</b>	15,717
3 to 6 months	<b>663</b>	2,448
Over 6 months	<u><b>300</b></u>	<u><b>300</b></u>
	<u><b>10,474</b></u>	<u><b>18,465</b></u>

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

	<b>Unaudited</b> <b>At 31 January</b> <b>2023</b> <b>RMB'000</b>	<b>Audited</b> <b>At 31 July</b> <b>2022</b> <b>RMB'000</b>
Pledged deposits with banks ( <i>Note</i> )	–	5,000
Other restricted bank balance	–	1,000
	<u>–</u>	<u>6,000</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.

## 10 TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>At 31 January</b> <b>2023</b> <b>RMB'000</b>	<b>Audited</b> <b>At 31 July</b> <b>2022</b> <b>RMB'000</b>
Trade payables	4,858	7,876
Accrued expenses and other payables	8,327	11,154
Payables for the purchase of property, plant and equipment	38	38
Contract liabilities ( <i>Note</i> )	8,396	8,396
Deposits received	125	125
	<u>21,744</u>	<u>27,589</u>

*Note:* Contract liabilities include receipts in advance from customers.

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

	<b>Unaudited</b> <b>At 31 January</b> <b>2023</b> <b>RMB'000</b>	<b>Audited</b> <b>At 31 July</b> <b>2022</b> <b>RMB'000</b>
Less than 1 month	2,154	2,910
1 month to 3 months	1,825	3,284
More than 3 months	879	1,682
	<u>4,858</u>	<u>7,876</u>

## MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

### OVERVIEW

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

### FINANCIAL REVIEW

The Group recorded a revenue of RMB35.83 million, representing a decrease of RMB49.75 million or 58.13% as compared to RMB85.58 million for the corresponding period in 2022. Gross profit for the period decreased from RMB10.20 million for the corresponding period in 2022 to RMB3.59 million. The gross profit margin dropped from 11.92% to 10.02%.

The Group's operating expenses, composed of distribution costs and general and administrative expenses, decreased from RMB21.70 million to RMB16.38 million, a decrease of RMB5.32 million as compared to the corresponding period in 2022. The Group recorded a loss of RMB8.40 million as compared to RMB7.82 million in the corresponding period ended 31 January 2022.

#### Plastic injection and moulding business

The Group recorded a revenue of RMB28.19 million for this segment, representing a decrease of RMB28.33 million or 50.12% as compared to RMB56.52 million for the corresponding period in 2022 due to the decrease in the sales orders in the PRC by two existing customers.

#### Assembling of electronic products business

This segment recorded a revenue of RMB5.90 million, representing a significant decrease of RMB20.96 million or 78.03% from RMB26.86 million for the corresponding period in 2022. 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 the second half of the year 2022.

#### Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB1.74 million, representing a decrease of RMB0.46 million or 20.91% as compared to RMB2.20 million for the corresponding period in 2022 due to the decrease in the sales orders by the existing customers.

#### Distribution costs

Distribution costs amounted to RMB0.95 million, representing a decrease of RMB1.25 million or 56.82% as compared to RMB2.20 million in the corresponding period ended 31 January 2022. The decrease in distribution costs was mainly due to the decrease in carriage outward.

## **General and administrative expenses**

General and administrative expenses amounted to RMB15.43 million, representing a decrease of RMB4.07 million or 20.87% as compared to RMB19.50 million for the corresponding period in 2022. The decrease was primarily due to the decrease in depreciation on property, plant and equipment and right-of-use assets of RMB2.40 million, and lower human resources expenses of RMB1.48 million during the period.

## **Other gains – net**

During the period, the Group recorded other net gains of RMB2.24 million as compared to RMB0.37 million for the corresponding period in 2022, which comprised mainly net gain on disposal of property, plant and equipment and right-of-use assets of RMB1.55 million and net foreign exchange gain of RMB0.69 million.

## **Finance costs – net**

The net finance costs for the period amounted to RMB0.46 million (2022: RMB0.46 million).

## **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 RMB0.29 million (2022: 0.62 million) was solely attributed to profit recorded from its associate in Vietnam.

## **Future prospects**

The 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.

## LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group financed its operations and investing activities mainly by means of internally generated operating cash flow and loans from a director. As at 31 January 2023, the Group had cash and cash equivalents and restricted bank balances of RMB85.59 million (31 July 2022: RMB74.61 million). 50.21%, 49.18% and 0.61% 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 2023, the Group had outstanding loans from a director of RMB37.54 million (31 July 2022: RMB37.41 million). The loans from a director were denominated in USD (54.03%) and HK\$ (45.97%), and the maturity profile is as follows:

Repayable	As at 31 January 2023		As at 31 July 2022	
	<i>RMB million</i> (Unaudited)	%	<i>RMB million</i> (Audited)	%
After one year but within two years	<u>37.54</u>	<u>100.00</u>	<u>37.41</u>	<u>100.00</u>
Loans from a director	<u>37.54</u>	<u>100.00</u>	<u>37.41</u>	<u>100.00</u>
Cash and cash equivalents and restricted bank balances	<u>(85.59)</u>		<u>(74.61)</u>	
Net cash and cash equivalents and restricted bank balances	<u>(48.05)</u>		<u>(37.20)</u>	

As at 31 January 2023, the Group’s net current assets were RMB104.67 million (31 July 2022: RMB105.09 million).

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 are calculated as 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. Gearing ratio was not presented as the Group was at a net cash position as at 31 January 2023 and 31 July 2022.



## **CHARGES ON GROUP ASSETS**

As at 31 January 2023 and 31 July 2022, no assets of the Group 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 2023.

## **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 gain of RMB0.69 million (2022: RMB0.30 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 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.

As at 31 January 2023, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax loss for the period would have been approximately RMB1,701,000 lower/higher (2022: post-tax loss for the period would have been approximately RMB1,977,000 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 January 2023, 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 RMB18,000 higher/lower (2022: post-tax loss for the period would have been approximately RMB299,000 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 2023, the Group had a total of 193 employees (31 July 2022: 253). 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 RMB12.01 million (2022: RMB22.04 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.

## **DIVIDENDS**

The Board does not recommend any dividend payment for the six months ended 31 January 2023 (2022: 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 2023 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 2023 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 C.2.1 in respect of segregation of the roles of chairman and chief executive officer.

According to Code Provision C.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 C.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 2023.

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

Johor Bahru, Malaysia  
21 March 2023

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