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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 2021

HIGHLIGHTS

- Revenue decreased by 46.88% to RMB256.20 million;
- Loss for the year attributable to owners of the Company was RMB5.61 million;
- Basic loss per share was 0.24 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 2021, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with comparative figures for the previous financial year. The figures in respect of the preliminary announcement of the Group’s results for the financial year ended 31 July 2021 have been compared by the Company’s auditor, PricewaterhouseCoopers, Certified Public Accountants, with the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 July 2021 and the amounts were found to be in agreement. The work performed by PricewaterhouseCoopers in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement. In addition, this announcement (including the annual results) has been reviewed by the audit committee of the Company (“**Audit Committee**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2021

| | <i>Note</i> | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Revenue | 2 | 256,196 | 482,327 |
| Cost of sales | | <u>(201,889)</u> | <u>(422,421)</u> |
| Gross profit | | 54,307 | 59,906 |
| Other income | 3 | 5,022 | 7,134 |
| Other losses – net | 3 | (7,477) | (26,563) |
| Distribution costs | | (5,901) | (9,728) |
| General and administrative expenses | | (45,074) | (53,874) |
| Net impairment losses on financial assets | | <u>(4,810)</u> | <u>(1)</u> |
| Operating loss | 4 | <u>(3,933)</u> | <u>(23,126)</u> |
| Finance income | | 518 | 835 |
| Finance costs | | <u>(6,223)</u> | <u>(11,098)</u> |
| Finance costs – net | 5 | <u>(5,705)</u> | <u>(10,263)</u> |
| Share of net profit of an associate accounted for using the equity method | | <u>4,447</u> | <u>–</u> |
| Loss before income tax | | (5,191) | (33,389) |
| Income tax expense | 6 | <u>(421)</u> | <u>(335)</u> |
| Loss for the year attributable to owners of the Company | | <u>(5,612)</u> | <u>(33,724)</u> |
| | | 2021 RMB cent | 2020 <i>RMB cent</i> |
| Loss per share attributable to owners of the Company during the year | | | |
| Basic and diluted | 8 | <u>(0.24)</u> | <u>(1.46)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2021

| | | As at 31 July 2021 | As at 31 July 2020 |
|--|------|-----------------------|-----------------------|
| | Note | RMB'000 | RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 263,054 | 291,015 |
| Right-of-use assets | | 24,550 | 32,321 |
| Other receivables and prepayments | 9 | – | 6,295 |
| Financial asset at fair value through other comprehensive income | | 3,700 | 4,000 |
| Investment accounted for using the equity method | | 5,366 | – |
| Deferred income tax assets | | 1,027 | 1,143 |
| | | <u>297,697</u> | <u>334,774</u> |
| Current assets | | | |
| Inventories | | 24,435 | 24,659 |
| Contract assets | | 15,039 | 11,846 |
| Trade and other receivables, deposits and prepayments | 9 | 60,082 | 84,078 |
| Amounts due from related parties | | 3,072 | 8,313 |
| Restricted bank balances | 10 | 48,435 | 61,240 |
| Cash and cash equivalents | | 43,196 | 104,430 |
| | | <u>194,259</u> | <u>294,566</u> |
| Total assets | | <u>491,956</u> | <u>629,340</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | | 105,013 | 105,013 |
| Share premium | | 306,364 | 306,364 |
| Other deficits | | (60,575) | (54,663) |
| Total equity attributable to owners of the Company | | <u>350,802</u> | <u>356,714</u> |

| | | As at 31 July 2021 <i>RMB'000</i> | As at 31 July 2020 <i>RMB'000</i> |
|-------------------------------------|-------------|---|---|
| | <i>Note</i> | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans from a director | | 36,005 | 38,980 |
| Lease liabilities | | – | 215 |
| Deferred income tax liabilities | | <u>2,823</u> | <u>2,847</u> |
| | | <u>38,828</u> | <u>42,042</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 47,792 | 94,185 |
| Amounts due to related parties | | 633 | 1,992 |
| Borrowings | | 53,625 | 128,554 |
| Lease liabilities | | 215 | 5,759 |
| Tax payables | | <u>61</u> | <u>94</u> |
| | | <u>102,326</u> | <u>230,584</u> |
| Total liabilities | | <u>141,154</u> | <u>272,626</u> |
| Total equity and liabilities | | <u>491,956</u> | <u>629,340</u> |

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 and amendments to existing standards adopted by the Group

The Group has applied the following new standards and amendments to existing standards 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 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 |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions |

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 2021 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 HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope Amendments | 1 January 2022 |
| Amendments to Annual Improvement Project | Annual improvements 2018-2020 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 (2020) | 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:

| | 2021 | 2020 |
|-----------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | | |
| Plastic injection and moulding | 154,099 | 158,115 |
| Assembling of electronic products | 95,732 | 301,160 |
| Mould design and fabrication | 6,365 | 23,052 |
| | <u>256,196</u> | <u>482,327</u> |

The Group's customer base is diversified but includes three (2020: three) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2021.

(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 investment accounted for using the equity method, financial asset at fair value through other comprehensive income, deferred income tax assets and unallocated head office and corporate assets. Segment liabilities include trade payables, accruals, bills 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 2021 and 2020 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 |
| | <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>154,099</u> | <u>158,115</u> | <u>95,732</u> | <u>301,160</u> | <u>6,365</u> | <u>23,052</u> | <u>256,196</u> | <u>482,327</u> |
| Reportable segment result | <u>32,579</u> | <u>6,851</u> | <u>5,593</u> | <u>28,122</u> | <u>1,332</u> | <u>(2,529)</u> | <u>39,504</u> | <u>32,444</u> |

| | Plastic injection and moulding | | Assembling of electronic products | | Mould design and fabrication | | Consolidated | |
|--|-----------------------------------|----------------|--------------------------------------|----------------|---------------------------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | <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 | 12,041 | 16,812 | 5,213 | 5,884 | 339 | 1,099 | 17,593 | 23,795 |
| Impairment on property, plant and equipment | 3,827 | 12,997 | 1,895 | 2,500 | 47 | 917 | 5,769 | 16,414 |
| Impairment on right-of-use assets | 1,399 | 9,666 | 1,876 | 759 | 127 | 93 | 3,402 | 10,518 |
| (Reversal)/provision for impairment of inventories | (1,222) | 5,202 | (1,439) | 7,687 | – | (3,492) | (2,661) | 9,397 |
| Addition to non-current segment assets during the year | 46 | 1,822 | 500 | 5,172 | – | 351 | 546 | 7,345 |
| As at 31 July | | | | | | | | |
| Reportable segment assets | 191,348 | 220,838 | 43,589 | 60,110 | 19,120 | 22,421 | 254,057 | 303,369 |
| Reportable segment liabilities | 8,974 | 32,479 | 31,375 | 48,353 | 502 | 1,313 | 40,851 | 82,145 |

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

| | 2021 | 2020 |
|---|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | | |
| Reportable segment revenue | 256,196 | 482,327 |
| Consolidated revenue | 256,196 | 482,327 |
| Profit or loss | | |
| Reportable segment profit | 39,504 | 32,444 |
| Finance income | 518 | 835 |
| Finance costs | (6,223) | (11,098) |
| Share of net profit of an associate accounted for using the equity method | 4,447 | – |
| Unallocated depreciation and amortisation | (7,098) | (5,543) |
| Unallocated head office and corporate expenses | (36,339) | (50,027) |
| Consolidated loss before income tax | (5,191) | (33,389) |

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Assets | | |
| Reportable segment assets | 254,057 | 303,369 |
| Deferred income tax assets | 1,027 | 1,143 |
| Investment accounted for using the equity method | 5,366 | – |
| Financial asset at fair value through other comprehensive income | 3,700 | 4,000 |
| Unallocated head office and corporate assets | <u>227,806</u> | <u>320,828</u> |
| Consolidated total assets | <u>491,956</u> | <u>629,340</u> |
| Liabilities | | |
| Reportable segment liabilities | 40,851 | 82,145 |
| Deferred income tax liabilities | 2,823 | 2,847 |
| Unallocated head office and corporate liabilities | <u>97,480</u> | <u>187,634</u> |
| Consolidated total liabilities | <u>141,154</u> | <u>272,626</u> |

The Group's business is operated in five (2020: five) major economic environments.

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

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--------------------------|------------------------|------------------------|
| Mainland China | 151,125 | 159,090 |
| Europe | 65,327 | 56,671 |
| Hong Kong | 21,439 | 22,940 |
| United States of America | 10,966 | 224,857 |
| South East Asia | 7,339 | 15,296 |
| Others | <u>–</u> | <u>3,473</u> |
| | <u>256,196</u> | <u>482,327</u> |

3. Other income and other losses – net

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Other income | | |
| Sales of scrap materials | 242 | 1,909 |
| Government grants | 4,209 | 5,006 |
| Sundry income | 571 | 219 |
| | <u>5,022</u> | <u>7,134</u> |
| Other losses – net | | |
| Impairment on property, plant and equipment | (5,769) | (16,414) |
| Impairment on right-of-use assets | (3,402) | (10,518) |
| Net foreign exchange losses | (1,990) | (1,740) |
| Net gain on disposal of property, plant and equipment and right-of-use assets | 2,765 | 2,109 |
| Gain on deemed disposal of an associate | 919 | – |
| | <u>(7,477)</u> | <u>(26,563)</u> |

4. Operating loss

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

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Auditors' remuneration | | |
| – Audit services | 1,620 | 1,720 |
| – Non-audit services | 179 | 209 |
| Legal and professional fee | 4,442 | 3,358 |
| Cost of sales (<i>Note</i>) | 201,889 | 422,421 |
| Net impairment losses on financial assets | 4,810 | 1 |
| Depreciation on property, plant and equipment | 21,249 | 25,654 |
| Depreciation on right-of-use assets | 3,442 | 3,684 |
| Expenses relating to short-term leases | 1,516 | 5,114 |
| (Reversal of provision)/provision for impairment of inventories | (2,661) | 9,397 |
| Staff costs | 65,131 | 116,133 |
| | <u>65,131</u> | <u>116,133</u> |

Note:

Cost of sales included staff costs, depreciation, provision for impairment of inventories and expenses relating to short-term leases, amounting to RMB52,439,000 (2020: RMB117,680,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of the expenses.

5. Finance costs – net

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Finance income | | |
| Bank interest income | (518) | (835) |
| Finance costs | | |
| Interest on bank borrowings | 4,392 | 7,792 |
| Interest on loans from a director | 1,346 | 1,445 |
| Interest expenses on lease liabilities | 388 | 1,598 |
| Less: borrowing costs capitalised as construction in progress (<i>Note</i>) | (46) | (238) |
| | 6,080 | 10,597 |
| Other finance charges | 143 | 501 |
| | 6,223 | 11,098 |
| Finance costs – net | 5,705 | 10,263 |

Note: 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 (2020: 4.8% per annum) for construction in progress.

6. Income tax expense

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Current income tax | | |
| Current the People's Republic of China (“ PRC ”) corporate income tax | (329) | (38) |
| Deferred income tax | | |
| Origination and reversal of temporary differences | (92) | (297) |
| | (421) | (335) |

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 2021 and 2020.

The Group's subsidiaries established in the 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 for the first three years starting from 1 January 2015 to 31 December 2017 after obtaining the concession, followed by a 50% tax exemption for the next three years. The other one subsidiary was certified as High and New Technology Enterprises and was entitled to a concessionary tax rate of 15% from 1 January 2018 to 31 December 2020. From 1 January 2021 onwards, the two subsidiaries were no longer entitled to re-apply for the preferential tax treatment and 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 2021 and 2020.

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 RMB5,612,000 (2020: RMB33,724,000) and the weighted average number of ordinary shares in issue during the year as follows:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Loss attributable to owners of the Company | <u>(5,612)</u> | <u>(33,724)</u> |
| | 2021 | 2020 |
| 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>(0.24)</u> | <u>(1.46)</u> |

For the years ended 31 July 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.

9. Trade and other receivables, deposits and prepayments

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Trade receivables | 40,010 | 63,260 |
| Bills receivables | <u>–</u> | <u>3,710</u> |
| Trade and bills receivables – gross | 40,010 | 66,970 |
| Less: Loss allowance | <u>(325)</u> | <u>(1,516)</u> |
| Trade and bills receivables – net | <u>39,685</u> | <u>65,454</u> |
| Other receivables, deposits and prepayments | 20,397 | 58,919 |
| Less: Loss allowance (<i>Note a</i>) | <u>–</u> | <u>(34,000)</u> |
| Other receivables, deposits and prepayments – net (<i>Note b</i>) | <u>20,397</u> | <u>24,919</u> |
| Less: Other receivable and prepayments (non-current) | <u>–</u> | <u>(6,295)</u> |
| Total trade and other receivables, deposits and prepayments (current) | <u>60,082</u> | <u>84,078</u> |

Notes:

- (a) 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.

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, a provision for impairment was made on the entire amount of the Deposits as at 31 July 2020. The defendant has been declared bankrupt by the Court in October 2020 and no legal action could be taken any further to recover the Deposits. Hence, the Deposits were fully written off against the provision made in prior year.

- (b) Other receivables, deposits and prepayments primarily included value-added tax recoverable and prepayments for inventories.

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

| | 2021 <i>RMB’000</i> | 2020 <i>RMB’000</i> |
|----------------|------------------------|------------------------|
| Up to 3 months | 39,180 | 64,632 |
| 3 to 6 months | 505 | 766 |
| Over 6 months | 325 | 1,572 |
| | <u>40,010</u> | <u>66,970</u> |

10. Restricted bank balances

| | 2021 <i>RMB’000</i> | 2020 <i>RMB’000</i> |
|---|------------------------|------------------------|
| Pledged deposits with banks (<i>Note</i>) | 47,435 | 61,240 |
| Other restricted bank balance | 1,000 | – |
| | <u>48,435</u> | <u>61,240</u> |

Note:

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

11. Trade and other payables

| | 2021 | 2020 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 22,702 | 58,107 |
| Accrued expenses and other payables (<i>Note a</i>) | 17,052 | 26,488 |
| Payables for the purchase of property, plant and equipment | 38 | 2,340 |
| Contract liabilities (<i>Note b</i>) | 7,875 | 7,125 |
| Deposit received | 125 | 125 |
| | <hr/> | <hr/> |
| Trade and other payables | 47,792 | 94,185 |
| | <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:

| | 2021 | 2020 |
|--------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Less than 1 month | 7,948 | 13,209 |
| 1 to 3 months | 7,328 | 32,055 |
| More than 3 months | 7,426 | 12,843 |
| | <hr/> | <hr/> |
| | 22,702 | 58,107 |
| | <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 higher value-added products.

FINANCIAL REVIEW

Revenue, Gross Profit and Segment Results

During the financial year, the Group recorded a revenue of RMB256.20 million, representing a decrease of RMB226.13 million or 46.88% from RMB482.33 million in the previous year. The major contributor of the Group's revenue was plastic injection and moulding division which accounted for 60.15% (2020: 32.78%) of the Group's revenue, and the remaining from assembling of electronic products division and mould design and fabrication division, which accounted for 37.37% (2020: 62.44%) and 2.48% (2020: 4.78%) of the Group's revenue respectively.

Gross profit decreased by RMB5.60 million and recorded at RMB54.31 million, representing 21.20% of its revenue during the financial year as compared to gross profit of RMB59.91 million, representing 12.42% of its revenue in the previous year.

Plastic Injection and Moulding

The Group recorded a revenue of RMB154.10 million for this segment as compared to RMB158.12 million for the corresponding financial year in 2020, representing a decrease of RMB4.02 million or 2.54%.

Assembling of Electronic Products

This segment recorded a revenue of RMB95.73 million, representing a significant decrease of RMB205.43 million or 68.21% from RMB301.16 million for the corresponding financial year in 2020. The decrease was mainly due to a significant drop in the amount of orders placed by a customer.

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB6.37 million, representing a significant decrease of RMB16.68 million or 72.36% as compared to RMB23.05 million for the corresponding financial year in 2020 due to the decrease in the sales orders placed by customers.

Other Losses – Net

During the financial year, the Group recorded other net losses of RMB7.48 million as compared to RMB26.56 million for the corresponding financial year in 2020, which comprised mainly net gain on disposal of property, plant and equipment and right-of-use assets of RMB2.76 million and gain on deemed disposal of an associate of RMB0.92 million arising from capital injection from an existing shareholder of the associate and the Group's equity interest in associate decreased from 24.31% to 18.74%, which was offset by a provision of impairment of RMB5.77 million on property, plant and equipment, a provision of impairment of RMB3.40 million on right-of-use assets and net foreign exchange losses of RMB1.99 million.

The unstable trade relationship between China and the United States (the “U.S.”) continues to adversely impact the Group's business performance. In light of that, management has decided to cease operation of certain manufacturing lines in which, certain machinery and equipment (included in property, plant and equipment (“PPE”) and right-of-use assets (“ROU”)) with a carrying amount of RMB31,625,000 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 amounted to zero. For these machinery and equipment, management estimated the recoverable amount of RMB22,454,000 based on their fair value less costs of disposal by making reference to quotations obtained from third-party buyers in the second-hand equipment and machinery trading market. The fair value of these PPE and ROU is categorised in level 2 of the fair value hierarchy. Accordingly, for the year ended 31 July 2021, impairment losses of PPE and ROU of RMB5,769,000 and RMB3,402,000, respectively, were recognised in the consolidated income statement (2020: RMB16,414,000 and RMB10,518,000).

Distribution Costs

Distribution costs for the financial year amounted to RMB5.90 million, representing a decrease of RMB3.83 million or 39.36% from RMB9.73 million in the previous financial year. 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 RMB45.07 million for the financial year, representing a decrease of RMB8.80 million or 16.34% as compared to RMB53.87 million for the corresponding financial year in 2020. The decrease was primarily due to lower human resources expenses of RMB2.26 million and research and development expenses of RMB2.05 million during the financial year.

Finance Costs – Net

The net finance costs for the year decreased by 44.35% to RMB5.71 million (2020: RMB10.26 million). The 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 RMB4.45 million (2020: nil) 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 2021, the Group had cash and cash equivalents and restricted bank balances of RMB91.63 million (2020: RMB165.67 million), of which RMB47.44 million (2020: RMB61.24 million) was pledged to banks for the facilities granted to the Group. 25.96%, 71.65% and 2.39% 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 2021, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB89.85 million (2020: RMB173.51 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (33.98%), RMB (47.52%) and HK\$ (18.50%), and the maturity profile is as follows:

| Repayable | As at 31 July 2021 | | As at 31 July 2020 | |
|---|--------------------|---------------|--------------------|--------|
| | <i>RMB million</i> | % | <i>RMB million</i> | % |
| Within one year | 53.84 | 59.92 | 134.31 | 77.41 |
| After one year but within two years | 36.01 | 40.08 | 39.20 | 22.59 |
| Total borrowings including lease liabilities and loans from a director | 89.85 | 100.00 | 173.51 | 100.00 |
| Cash and cash equivalents and restricted bank balances | (91.63) | | (165.67) | |
| Net (cash and cash equivalents and restricted bank balances)/borrowings including lease liabilities and loans from a director | (1.78) | | 7.84 | |

As at 31 July 2021, the total net cash and cash equivalents and restricted bank balances of the Group recorded at RMB1.78 million (2020: the total net interest-bearing borrowings including lease liabilities and loans from a director of the Group recorded at RMB7.84 million), representing 0.36% (2020: 1.25%) of total assets and 0.51% (2020: 2.20%) 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. The gearing ratio of the Group was 2.15% as at 31 July 2020.

As at 31 July 2021, the Group's net current assets were RMB91.93 million (2020: RMB63.98 million). As at 31 July 2021, the Group has undrawn bank facilities of RMB23.90 million (2020: 176.68 million) for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2021, the Group's total equity attributable to owners of the Company was RMB350.80 million (2020: RMB356.71 million). Total assets of the Group amounted to RMB491.96 million (2020: RMB629.34 million), 58.46% (2020: 51.38%) of which comprised property, plant, equipment and right-of-use assets.

CHARGES ON GROUP ASSETS

As at 31 July 2021, certain assets of the Group with an aggregate carrying value of RMB64.26 million (31 July 2020: RMB89.60) 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 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 2021.

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 losses of RMB1.99 million (2020: RMB1.74 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 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 2021, 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 RMB1,033,000 lower/higher (2020: post-tax loss for the year would have been approximately RMB4,115,000 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 2021, 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 RMB641,000 higher/lower (2020: post-tax loss for the year would have been approximately RMB1,234,000 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 2021, the Group had a total of 490 employees (2020: 935). 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 RMB58.74 million (2020: RMB108.30 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.

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

As a publicly listed entity, the Group has adopted a share option scheme to provide incentives to eligible directors and employees to participate in the Group's success.

DIVIDENDS

The Board does not recommend any dividend payment for the financial year ended 31 July 2021 (2020: nil).

FUTURE PROSPECTS AND CHALLENGES

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 should be able to improve its operational flexibility, reduce its debts and minimise the adverse impact on the business operation. In addition, the Group will continue to focus on realignment its U.S. based sales to non-U.S.-based sales due to the continuing trade war between the U.S. and China.

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. As at the date of this announcement, there was no material negative impact on export and sales of product for the Group due to the outbreak of COVID-19.

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 2021 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 2021 requiring disclosure in this results announcement.

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

During the year ended 31 July 2021, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's annual financial results for the year ended 31 July 2021 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, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Beh Kim Ling and Mr. Gan Sem Yam are the Chairman and Managing Director of the Company respectively. Mr. Beh Kim Ling, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group’s operations. This constitutes a deviation from Code Provision A.2.1 as part of his duties overlap with those of the Managing Director, who is in practice the chief executive. As the founder of the Group, Mr. Beh Kim Ling has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group’s operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

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 2021.

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
23 September 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