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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 2022**

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 2022, which have been reviewed by the audit committee (“**Audit Committee**”) of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 JANUARY 2022

		Unaudited	
		Six months ended 31 January	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Revenue	2	85,583	140,794
Cost of sales		<u>(75,382)</u>	<u>(111,591)</u>
Gross profit		10,201	29,203
Other income – net		1,578	2,830
Other gains/(losses) – net	3	370	(5,185)
Distribution costs		(2,197)	(3,164)
General and administrative expenses		(19,506)	(26,433)
Reversal of/(provision for) impairment loss on financial assets		<u>2</u>	<u>(217)</u>
Operating loss		(9,552)	(2,966)
Finance costs – net	4(a)	(461)	(3,973)
Share of net profit of an associate accounted for using the equity method		<u>622</u>	<u>–</u>
Loss before income tax	4	(9,391)	(6,939)
Income tax credit	5	<u>1,570</u>	<u>319</u>
Loss for the period attributable to owners of the Company		<u>(7,821)</u>	<u>(6,620)</u>
Loss per share attributable to owners of the Company during the period (<i>Renminbi cents</i>)			
Basic and diluted	7	<u>(0.34)</u>	<u>(0.29)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 JANUARY 2022

		Unaudited	Audited
		At 31 January	At 31 July
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		250,018	263,054
Right-of-use assets		23,148	24,550
Financial asset at fair value through other comprehensive income		3,700	3,700
Investment accounted for using the equity method		5,988	5,366
Deferred income tax assets		2,185	1,027
		<u>285,039</u>	<u>297,697</u>
Current assets			
Inventories		18,227	24,435
Contract assets		8,912	15,039
Trade and other receivables, deposits and prepayments	8	52,053	60,082
Amounts due from related parties		1,388	3,072
Restricted bank balances	9	9,249	48,435
Cash and cash equivalents		50,327	43,196
		<u>140,156</u>	<u>194,259</u>
Total assets		<u>425,195</u>	<u>491,956</u>
EQUITY			
Capital and reserves			
Share capital		105,013	105,013
Share premium		306,364	306,364
Other deficits		(68,396)	(60,575)
Total equity attributable to owners of the Company		<u>342,981</u>	<u>350,802</u>

		Unaudited	Audited
		At 31 January	At 31 July
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Loans from a director		35,488	36,005
Deferred income tax liabilities		2,325	2,823
		<u>37,813</u>	<u>38,828</u>
Current liabilities			
Trade and other payables	<i>10</i>	36,230	47,792
Amounts due to related parties		376	633
Borrowings		7,768	53,625
Lease liabilities		–	215
Tax payable		27	61
		<u>44,401</u>	<u>102,326</u>
Total liabilities		<u>82,214</u>	<u>141,154</u>
Total equity and liabilities		<u>425,195</u>	<u>491,956</u>

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31 July. This condensed consolidated interim financial information for the six months ended 31 January 2022 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 2021, 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 2021.

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 2021, 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 2021:

Standards	Subject of amendment
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2

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 2021 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before intended uses	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKAS 1 and HKFRS Practise 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
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 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 and lease liabilities attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Revenue for the period consists of the following:

	Unaudited	
	Six months ended 31 January	
	2022	2021
	RMB'000	RMB'000
Revenue		
Plastic injection and moulding	56,520	90,806
Assembling of electronic products	26,860	48,681
Mould design and fabrication	2,203	1,307
	85,583	140,794
Timing of revenue recognition		
At a point in time	68,083	99,250
Over time	17,500	41,544
	85,583	140,794

(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	
	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>
Six months ended 31 January:								
Revenue from external customers	<u>56,520</u>	<u>90,806</u>	<u>26,860</u>	<u>48,681</u>	<u>2,203</u>	<u>1,307</u>	<u>85,583</u>	<u>140,794</u>
Reportable segment result	<u>12,082</u>	<u>22,523</u>	<u>(7,323)</u>	<u>4,776</u>	<u>830</u>	<u>228</u>	<u>5,589</u>	<u>27,527</u>
Additions to non-current segment assets during the period	<u>20</u>	<u>27</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>80</u>
At 31 January/31 July:								
Reportable segment assets	<u>182,485</u>	<u>191,348</u>	<u>27,089</u>	<u>43,589</u>	<u>15,799</u>	<u>19,120</u>	<u>225,373</u>	<u>254,057</u>
Reportable segment liabilities	<u>9,328</u>	<u>8,974</u>	<u>19,983</u>	<u>31,375</u>	<u>594</u>	<u>502</u>	<u>29,905</u>	<u>40,851</u>

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

	Unaudited	
	Six months ended 31 January	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>85,583</u>	<u>140,794</u>
Consolidated revenue	<u>85,583</u>	<u>140,794</u>

	Unaudited	
	Six months ended 31 January	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit or loss		
Reportable segment profit	<u>5,589</u>	<u>27,527</u>
Finance costs – net (<i>Note 4(a)</i>)	<u>(461)</u>	<u>(3,973)</u>
Share of net profit of an associate accounted for using the equity method	<u>622</u>	<u>-</u>
Unallocated depreciation and amortisation	<u>(8,433)</u>	<u>(5,074)</u>
Unallocated operating income and expenses	<u>(6,708)</u>	<u>(25,419)</u>
Loss before income tax	<u>(9,391)</u>	<u>(6,939)</u>

	Unaudited At 31 January 2022 RMB'000	Audited At 31 July 2021 RMB'000
Assets		
Reportable segment assets	225,373	254,057
Financial asset at fair value through other comprehensive income	3,700	3,700
Deferred income tax assets	2,185	1,027
Investment accounted for using the equity method	5,988	5,366
Unallocated head office and corporate assets	187,949	227,806
	<hr/>	<hr/>
Consolidated total assets	425,195	491,956
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Reportable segment liabilities	29,905	40,851
Deferred income tax liabilities	2,325	2,823
Unallocated head office and corporate liabilities	49,984	97,480
	<hr/>	<hr/>
Consolidated total liabilities	82,214	141,154
	<hr/> <hr/>	<hr/> <hr/>

(c) **Revenue by geographical locations**

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

	Unaudited Six months ended 31 January	
	2022 RMB'000	2021 RMB'000
Mainland China	61,729	86,077
Europe	13,841	31,356
Hong Kong	7,995	11,483
United States of America	1,521	6,681
South East Asia	497	5,197
	<hr/>	<hr/>
	85,583	140,794
	<hr/> <hr/>	<hr/> <hr/>

3 OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 31 January	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange gain/(loss)	303	(2,921)
Gain/(loss) on disposal of property, plant and equipment and right-of-use assets	67	(2,264)
	<u>370</u>	<u>(5,185)</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	
	2022	2021
	RMB'000	RMB'000
Interest income from bank deposits	(996)	(389)
Interest on bank borrowings	825	3,058
Interest on loans from a director	554	810
Interest expenses on lease liabilities	7	309
Less: borrowing costs capitalised as construction-in-progress	–	(27)
Other finance charges	71	212
	<u>1,457</u>	<u>4,362</u>
Finance costs – net	<u>461</u>	<u>3,973</u>

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2022	2021
	RMB'000	RMB'000
Legal and professional fee	969	2,758
Cost of sales	75,382	111,591
Depreciation on property, plant and equipment	12,312	13,105
Depreciation on right-of-use assets	1,402	1,842
Expenses relating to short-term leases	802	857
(Reversal of provision)/provision for impairment loss on financial assets	(2)	217
Provision/(reversal of provision) for impairment of inventories	<u>3,884</u>	<u>(1,639)</u>

5 INCOME TAX CREDIT

	Unaudited	
	Six months ended 31 January	
	2022	2021
	RMB'000	RMB'000
Current income tax		
PRC corporate income tax	(86)	(196)
Deferred income tax		
Origination and reversal of temporary differences	<u>1,656</u>	<u>515</u>
	<u>1,570</u>	<u>319</u>

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the six months ended 31 January 2022 and 2021.

The Group's subsidiaries established in the People's Republic of China ("PRC") are subject to a corporate income tax rate of 25%, except for two subsidiaries. One of which one 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, following 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.

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 2022 and 2021.

(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 RMB7,821,000 (2021: RMB6,620,000) and the weighted average number of ordinary shares in issue during the current and the prior period as follows:

	Unaudited	
	Six months ended 31 January	
	2022	2021
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(7,821)</u>	<u>(6,620)</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,307,513</u>	<u>2,307,513</u>
Basic and diluted loss per share (<i>RMB cents</i>)	<u>(0.34)</u>	<u>(0.29)</u>

For the six months ended 31 January 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.

8 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	At 31 January 2022	At 31 July 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	34,028	40,010
Less: Loss allowance	<u>(300)</u>	<u>(325)</u>
Trade receivables – net	33,728	39,685
Other receivables, deposits and prepayments – net	<u>18,325</u>	<u>20,397</u>
Total trade and other receivables, deposits and prepayments (<i>current</i>)	<u><u>52,053</u></u>	<u><u>60,082</u></u>

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

	Unaudited	Audited
	At 31 January 2022	At 31 July 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	33,602	39,180
3 to 6 months	101	505
Over 6 months	<u>325</u>	<u>325</u>
	<u><u>34,028</u></u>	<u><u>40,010</u></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

	Unaudited At 31 January 2022 RMB'000	Audited At 31 July 2021 RMB'000
Pledged deposits with banks <i>(Note)</i>	8,249	47,435
Other restricted bank balance	<u>1,000</u>	<u>1,000</u>
	<u>9,249</u>	<u>48,435</u>

Note:

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

10 TRADE AND OTHER PAYABLES

	Unaudited At 31 January 2022 RMB'000	Audited At 31 July 2021 RMB'000
Trade payables	15,316	22,702
Accrued expenses and other payables	12,457	17,052
Payables for the purchase of property, plant and equipment	38	38
Contract liabilities <i>(Note)</i>	8,294	7,875
Deposits received	<u>125</u>	<u>125</u>
Trade and other payables	<u>36,230</u>	<u>47,792</u>

Note: Contract liabilities include receipts in advance from customers.

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

	Unaudited At 31 January 2022 RMB'000	Audited At 31 July 2021 RMB'000
Less than 1 month	6,049	7,948
1 month to 3 months	7,301	7,328
More than 3 months	<u>1,966</u>	<u>7,426</u>
	<u>15,316</u>	<u>22,702</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

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

FINANCIAL REVIEW

The Group recorded a revenue of RMB85.58 million, representing a decrease of RMB55.21 million or 39.21% as compared to RMB140.79 million for the corresponding period in 2021. Gross profit for the period decreased from RMB29.20 million for the corresponding period in 2021 to RMB10.20 million. The gross profit margin dropped from 20.74% to 11.92%.

The Group's operating expenses, composed of distribution costs and general and administrative expenses, decreased from RMB29.59 million to RMB21.70 million, a decrease of RMB7.89 million as compared to the corresponding period in 2021. The Group recorded a loss of RMB7.82 million as compared to RMB6.62 million in the corresponding period ended 31 January 2021.

Plastic injection and moulding business

The Group recorded a revenue of RMB56.52 million for this segment, representing a decrease of RMB34.28 million or 37.75% as compared to RMB90.80 million for the corresponding period in 2021 due to the decrease in the sales orders by the existing customers.

Assembling of electronic products business

This segment recorded a revenue of RMB26.86 million, representing a decrease of RMB21.82 million or 44.82% from RMB48.68 million for the corresponding period in 2021. The drop in revenue was mainly due to a drop in the amount of orders placed by a customer.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB2.20 million, representing a significant increase of RMB0.89 million or 67.94% as compared to RMB1.31 million for the corresponding period in 2021 due to the increase in the sales orders by the existing customers.

Distribution costs

Distribution costs amounted to RMB2.20 million, representing a decrease of RMB0.96 million or 30.38% as compared to RMB3.16 million in the corresponding period ended 31 January 2021. The decrease in distribution costs was mainly due to the decrease in carriage outward.

General and administrative expenses

General and administrative expenses amounted to RMB19.50 million, representing a decrease of RMB6.93 million or 26.22% as compared to RMB26.43 million for the corresponding period in 2021. The decrease was primarily due to lower human resources expenses of RMB4.88 million during the period.

Other gains/(losses) – net

During the period, the Group recorded other net gains of RMB0.37 million as compared to net losses of RMB5.18 million for the corresponding period in 2021, which comprised mainly net gain on disposal of property, plant and equipment and right-of-use assets of RMB0.07 million and net foreign exchange gain of RMB0.30 million.

Finance costs – net

The net finance costs for the period decreased by 88.41% or RMB3.51 million from RMB3.97 million for the corresponding period in 2021 to RMB0.46 million. The significant decrease was mainly due to lower interest-bearing borrowings during the period.

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 RMB0.62 million (2021: nil) was solely attributed to profit recorded from its associate in Vietnam.

Future prospects

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

In addition, recent political conflict between Russia and Ukraine resulting in higher world fuel prices will contribute to an inflationary spiral that poses a downturn to world economies. This affects raw material prices and chemical products costs which are expected to rise in the future. Moreover, higher fuel costs mean higher transportation costs at each step of the wholesale, production, distribution and retail process.

The Group will continue to streamline its operation and formulate a stronger financial position with a light asset operation and lower geared structure and higher liquidity. By way of adopting a light assets and cost model, the Group will be able to improve its operational flexibility, reduce its debts and minimise the adverse impact of the pandemic on the business operation.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group financed its operations and investing activities mainly by means of internally generated operating cash flow, bank borrowings, loans from a director and lease liabilities. As at 31 January 2022, the Group had cash and cash equivalents and restricted bank balances of RMB59.58 million (31 July 2021: RMB91.63 million), of which RMB8.25 million (31 July 2021: RMB47.44 million) was pledged to banks for the facilities granted to the Group. 56.62%, 41.90% and 1.48% 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 2022, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB43.26 million (31 July 2021: RMB89.85 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (19.66%), RMB (63.44%) and HK\$ (16.90%), and the maturity profile is as follows:

Repayable	As at 31 January 2022		As at 31 July 2021	
	<i>RMB million</i> (Unaudited)	%	<i>RMB million</i> (Audited)	%
Within one year	7.77	17.96	53.84	59.92
After one year but within two years	35.49	82.04	36.01	40.08
Total borrowings including lease liabilities and loans from a director	43.26	100.00	89.85	100.00
Cash and cash equivalents and restricted bank balances	(59.58)		(91.63)	
Net cash and cash equivalents and restricted bank balances	16.32		1.78	

As at 31 January 2022, the Group’s net current assets were RMB95.76 million (31 July 2021: RMB91.93 million). As at 31 January 2022, the Group has undrawn bank facilities of RMB68.73 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

Gearing ratio is calculated based on net borrowings including lease liabilities and loans from a director at the end of the period divided by total assets at the end of the period multiplied by 100%. Accordingly, the gearing ratio of the Group as at 31 January 2022 was not applicable (31 July 2021: N/A).

CHARGES ON GROUP ASSETS

As at 31 January 2022, certain assets of the Group with an aggregate carrying value of RMB15.07 million (31 July 2021: RMB64.26 million) were pledged to secure loan and trade financing facilities for the Group.

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

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

CONTINGENT LIABILITIES

The Group does not have any material contingent liabilities as at 31 January 2022.

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 RMB0.30 million (2021: net loss of RMB2.92 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 2022, 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 RMB1,977,000 lower/higher (2021: post-tax loss for the period would have been approximately RMB1,324,000 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 2022, 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 RMB299,000 higher/lower (2021: post-tax loss for the period would have been approximately RMB672,000 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 2022, the Group had a total of 362 employees (31 July 2021: 490). 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 RMB22.04 million (2021: RMB34.58 million). The decrease in human resources expenses was mainly due to the decrease in the number of employees during the period. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

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

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

DIVIDENDS

The Board does not recommend any dividend payment for the six months ended 31 January 2022 (2021: 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 2022 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 2022 requiring disclosure in this interim results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2022.

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

Johor Bahru, Malaysia
24 March 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