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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 2023

HIGHLIGHTS

- Revenue decreased by 37.03% to RMB76.44 million;
- Loss for the year attributable to owners of the Company was RMB22.32 million;
- Basic loss per share was 0.97 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 2023, prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with comparative figures for the previous financial year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	2	76,443	121,401
Cost of sales		<u>(64,932)</u>	<u>(111,227)</u>
Gross profit		11,511	10,174
Other income	3	4,517	4,563
Other losses – net	3	(9,337)	(26,098)
Distribution costs		(1,659)	(3,209)
General and administrative expenses		(28,789)	(34,694)
Net impairment losses on financial assets		<u>(27)</u>	<u>(12)</u>
Operating loss	4	<u>(23,784)</u>	<u>(49,276)</u>
Finance income		921	1,056
Finance costs		<u>(1,831)</u>	<u>(2,218)</u>
Finance costs – net	5	<u>(910)</u>	<u>(1,162)</u>
Share of net profit of an associate accounted for using the equity method		<u>2,402</u>	<u>2,130</u>
Loss before income tax		(22,292)	(48,308)
Income tax (expense)/credit	6	<u>(28)</u>	<u>61</u>
Loss for the year attributable to owners of the Company		<u><u>(22,320)</u></u>	<u><u>(48,247)</u></u>
		2023 RMB cent	2022 RMB cent
Loss per share attributable to owners of the Company during the year			
Basic and diluted	8	<u><u>(0.97)</u></u>	<u><u>(2.09)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2023

	<i>Note</i>	As at 31 July 2023 <i>RMB'000</i>	As at 31 July 2022 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		185,289	209,655
Right-of-use assets		13,065	14,947
Financial asset at fair value through other comprehensive income		2,300	3,100
Investment accounted for using the equity method		<u>10,365</u>	<u>7,496</u>
		<u>211,019</u>	<u>235,198</u>
Current assets			
Inventories		8,057	16,445
Contract assets		–	597
Trade and other receivables, deposits and prepayments	9	26,226	41,027
Amounts due from related parties		948	663
Restricted bank balances	10	–	6,000
Cash and cash equivalents		<u>85,457</u>	<u>68,606</u>
		<u>120,688</u>	<u>133,338</u>
Total assets		<u><u>331,707</u></u>	<u><u>368,536</u></u>
EQUITY			
Capital and reserves			
Share capital		105,013	105,013
Share premium		306,364	306,364
Other deficits		<u>(132,075)</u>	<u>(109,422)</u>
Total equity attributable to owners of the Company		<u><u>279,302</u></u>	<u><u>301,955</u></u>

		As at 31 July 2023 <i>RMB'000</i>	As at 31 July 2022 <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Loans from a director		–	37,413
Deferred income tax liabilities		<u>920</u>	<u>916</u>
		920	38,329
Current liabilities			
Trade and other payables	<i>11</i>	15,948	27,589
Loans from a director		35,108	–
Amounts due to related parties		429	570
Tax payables		<u>–</u>	<u>93</u>
		<u>51,485</u>	<u>28,252</u>
Total liabilities		<u>52,405</u>	<u>66,581</u>
Total equity and liabilities		<u>331,707</u>	<u>368,536</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 under the historical cost basis, except for financial asset at fair value through other comprehensive income, which is measured at fair value.

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

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

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

Standards	Subject of amendment
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Accounting Guideline 5 (Amendments)	Revised accounting guideline 5 merger accounting for common control combinations (AG 5)
Annual Improvements Project	Annual Improvements to HKFRS 2018-2020

The adoption of these 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 2023 reporting period and have not been early adopted by the Group.

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative information	1 January 2023
HKAS 1 (Amendments)	Classification of liabilities as current or non-current and Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sales and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand clause	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

The above new standards 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 standards 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 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue		
Plastic injection and moulding	52,247	88,911
Assembling of electronic products	20,026	29,430
Mould design and fabrication	4,170	3,060
	<u>76,443</u>	<u>121,401</u>

The Group has a customer base which includes four (2022: three) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the year ended 31 July 2023.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible and current assets other than financial asset at fair value through other comprehensive income, investment accounted for using the equity method and other 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. 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 2023 and 2022 is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Revenue from external customers	<u>52,247</u>	<u>88,911</u>	<u>20,026</u>	<u>29,430</u>	<u>4,170</u>	<u>3,060</u>	<u>76,443</u>	<u>121,401</u>
Reportable segment result	<u>(6,260)</u>	<u>9,078</u>	<u>3,764</u>	<u>(8,580)</u>	<u>559</u>	<u>182</u>	<u>(1,937)</u>	<u>680</u>
Other segment information								
Year ended 31 July								
Depreciation and amortisation for the year	6,521	6,719	307	2,973	-	63	6,828	9,755
Impairment on property, plant and equipment	6,628	16,110	-	412	80	118	6,708	16,640
Impairment on right-of-use assets	558	1,415	-	-	-	822	558	2,237
(Reversal of provision)/provision for impairment of inventories	(183)	318	(216)	4,424	-	-	(399)	4,742
Addition to non-current assets during the year	-	257	-	-	-	-	-	257
As at 31 July								
Reportable segment assets	<u>123,945</u>	<u>161,753</u>	<u>1,756</u>	<u>3,861</u>	<u>5,985</u>	<u>9,914</u>	<u>131,686</u>	<u>175,528</u>
Reportable segment liabilities	<u>8,172</u>	<u>6,835</u>	<u>2,194</u>	<u>13,177</u>	<u>638</u>	<u>443</u>	<u>11,004</u>	<u>20,455</u>

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

	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	<u>76,443</u>	<u>121,401</u>
Consolidated revenue	<u>76,443</u>	<u>121,401</u>
Profit or loss		
Reportable segment (loss)/profit	(1,937)	680
Finance income	921	1,056
Finance costs	(1,831)	(2,218)
Share of net profit of an associate accounted for using the equity method	2,402	2,130
Unallocated depreciation and amortisation	(6,630)	(13,026)
Unallocated head office and corporate expenses	<u>(15,217)</u>	<u>(36,930)</u>
Consolidated loss before income tax	<u>(22,292)</u>	<u>(48,308)</u>

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
Reportable segment assets	131,686	175,528
Investment accounted for using the equity method	10,365	7,496
Financial asset at fair value through other comprehensive income	2,300	3,100
Unallocated head office and corporate assets	187,356	182,412
	<u>331,707</u>	<u>368,536</u>
Consolidated total assets	331,707	368,536
Liabilities		
Reportable segment liabilities	11,004	20,455
Deferred income tax liabilities	920	916
Unallocated head office and corporate liabilities	40,481	45,210
	<u>52,405</u>	<u>66,581</u>
Consolidated total liabilities	52,405	66,581

The Group's business is operated in three (2022: five) major economic environments.

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	63,076	93,647
Hong Kong	13,294	11,921
South East Asia	73	495
Europe	–	13,817
United States of America	–	1,521
	<u>76,443</u>	<u>121,401</u>

3. OTHER INCOME AND OTHER LOSSES – NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Sales of scrap materials	214	468
Government grants	3,290	3,542
Sundry income	<u>1,013</u>	<u>553</u>
	<u>4,517</u>	<u>4,563</u>
Other losses – net		
Impairment on property, plant and equipment	(6,708)	(16,640)
Impairment on right-of-use assets	(558)	(2,237)
Net foreign exchange gains	158	1,406
Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets	2,001	(4,807)
Net loss on property, plant and equipment and right-of-use assets written off	(4,230)	(8,833)
Reversal of accruals	<u>–</u>	<u>5,013</u>
	<u>(9,337)</u>	<u>(26,098)</u>

4. OPERATING LOSS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Auditors' remuneration		
– Audit services	1,493	1,602
– Non-audit services	64	111
Legal and professional fee	2,422	1,848
Cost of sales (<i>Note</i>)	64,932	111,227
Net impairment losses on financial assets	27	12
Depreciation on property, plant and equipment	12,810	22,096
Depreciation on right-of-use assets	648	685
Expenses relating to short-term leases	1,495	1,492
(Reversal of provision)/provision for impairment of inventories	(399)	4,742
Staff costs	<u>26,013</u>	<u>40,613</u>

Note:

Cost of sales included staff costs, depreciation, provision for impairment of inventories and expenses relating to short-term leases, amounting to RMB12,408,000 (2022: RMB40,895,000) in aggregate, which are also included in the respective total amounts disclosed separately above for each type of the expenses.

5. FINANCE COSTS – NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Finance income		
Bank interest income	(921)	(1,056)
Finance costs		
Interest on bank borrowings	–	854
Interest on loans from a director	1,764	1,251
Interest expenses on lease liabilities	–	7
	<u>1,764</u>	<u>2,112</u>
Other finance charges	<u>67</u>	<u>106</u>
	<u>1,831</u>	<u>2,218</u>
Finance costs – net	<u>910</u>	<u>1,162</u>

6. INCOME TAX (EXPENSE)/CREDIT

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
The People's Republic of China (“PRC”) corporate income tax	(51)	(818)
Adjustment to provision in respect of prior years	<u>27</u>	<u>–</u>
	<u>(24)</u>	<u>(818)</u>
Deferred income tax		
Origination and reversal of temporary differences	<u>(4)</u>	<u>879</u>
	<u>(28)</u>	<u>61</u>

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the years ended 31 July 2023 and 2022.

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

Pursuant to the relevant corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008 onwards.

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 July 2023 and 2022.

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 RMB22,320,000 (2022: RMB48,247,000) and the weighted average number of ordinary shares in issue during the year as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the year attributable to owners of the Company	<u>(22,320)</u>	<u>(48,247)</u>
	2023	2022
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>(0.97)</u>	<u>(2.09)</u>

For the years ended 31 July 2023 and 2022, 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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	12,346	18,465
Less: Loss allowance	<u>(44)</u>	<u>(315)</u>
Trade receivables – net	12,302	18,150
Other receivables, deposits and prepayments	<u>13,924</u>	<u>22,877</u>
Total trade and other receivables, deposits and prepayments (current)	<u>26,226</u>	<u>41,027</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Up to 3 months	11,845	15,717
3 to 6 months	501	2,448
Over 6 months	<u>–</u>	<u>300</u>
	<u>12,346</u>	<u>18,465</u>

10. RESTRICTED BANK BALANCES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Deposits with banks (<i>Note</i>)	–	5,000
Other restricted bank balance	–	1,000
	<u>–</u>	<u>1,000</u>
	<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.

11. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	7,456	7,876
Accrued expenses and other payables (<i>Note a</i>)	8,329	11,154
Payables for the purchase of property, plant and equipment	38	38
Contract liabilities (<i>Note b</i>)	–	8,396
Deposit received	125	125
	<u>15,948</u>	<u>27,589</u>

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than 1 month	3,275	2,910
1 to 3 months	3,327	3,284
More than 3 months	854	1,682
	<u>7,456</u>	<u>7,876</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

INDUSTRY OVERVIEW

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

FINANCIAL REVIEW

Revenue, Gross Profit and Segment Results

During the financial year, the Group recorded a revenue of RMB76.44 million, representing a decrease of RMB44.96 million or 37.03% from RMB121.40 million in the previous year. The major contributor of the Group's revenue was plastic injection and moulding division which accounted for 68.35% (2022: 73.24%) of the Group's revenue, and the remaining from assembling of electronic products division and mould design and fabrication division, which accounted for 26.19% (2022: 24.24%) and 5.46% (2022: 2.52%) of the Group's revenue respectively.

Gross profit increased by RMB1.34 million and recorded at RMB11.51 million, representing 15.06% of its revenue during the financial year as compared to gross profit of RMB10.17 million, representing 8.38% of its revenue in the previous year.

Plastic Injection and Moulding

The Group recorded a revenue of RMB52.25 million for this segment, representing a decrease of RMB36.66 million or 41.23% as compared to RMB88.91 million for the corresponding financial year in 2022 mainly due to the decrease in the sales orders in the PRC by two existing customers.

Assembling of Electronic Products

This segment recorded a revenue of RMB20.02 million, representing a decrease of RMB9.41 million or 31.97% from RMB29.43 million for the corresponding financial year 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 diversified its supply chain and reduced its supply from the PRC.

Mould Design and Fabrication

The mould design and fabrication segment recorded a revenue of RMB4.17 million, representing an increase of RMB1.11 million or 36.27% as compared to RMB3.06 million for the corresponding financial year in 2022 due to the increase in the sales orders by an existing customer.

Other Losses – Net

During the financial year, the Group recorded other net losses of RMB9.34 million as compared to RMB26.10 million for the corresponding financial year in 2022, which comprised mainly net foreign exchange gains of RMB0.16 million and net gain on disposal of property, plant and equipment (“**PPE**”) and right-of-use assets (“**ROU**”) of RMB2.00 million, which were offset by a provision of impairment of RMB6.71 million on PPE, a provision of impairment of RMB0.56 million on ROU, and net loss on PPE and ROU written off of RMB4.23 million, which mainly included the costs of disposal and written off of idle and obsolete PPE and ROU.

Distribution Costs

Distribution costs for the financial year amounted to RMB1.66 million, representing a decrease of RMB1.55 million or 48.28% from RMB3.21 million in the previous financial year. The decrease in distribution costs was mainly due to the decrease in carriage outward.

General and Administrative Expenses

General and administrative expenses amounted to RMB28.79 million for the financial year, representing a decrease of RMB5.90 million or 17.01% as compared to RMB34.69 million for the corresponding financial year in 2022. The decrease was primarily due to the decrease in depreciation on property, plant and equipment and right-of-use assets of RMB3.62 million, and lower human resources expenses of RMB2.98 million during the financial year.

Finance Costs – Net

The net finance costs for the year decreased by 21.55% to RMB0.91 million (2022: RMB1.16 million). The decrease was mainly due to lower interest-bearing loans from a director during the financial year.

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

The Group’s share of net profit of an associate accounted for using the equity method of RMB2.40 million (2022: RMB2.13 million) was solely attributed to profit recorded from its associate in Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year, the Group financed its operations and investing activities mainly by means of internally generated operating cash flow and loans from a director. As at 31 July 2023, the Group had cash and cash equivalents and restricted bank balances of RMB85.46 million (2022: RMB74.61 million). 50.30%, 36.56% and 13.14% 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 2023, the Group had outstanding loans from a director of RMB35.11 million (2022: RMB37.41 million). The loans from a director were denominated in USD (60.93%) and HK\$ (39.07%), and the maturity profile is as follows:

Repayable	<i>As at 31 July 2023</i>		<i>As at 31 July 2022</i>	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Within one year	35.11	100.00	–	–
After one year but within two years	–	–	37.41	100.00
Loans from a director	35.11	<u>100.00</u>	37.41	<u>100.00</u>
Cash and cash equivalents and restricted bank balances	<u>(85.46)</u>		<u>(74.61)</u>	
Net cash and cash equivalents and restricted bank balances	<u>(50.35)</u>		<u>(37.20)</u>	

As at 31 July 2023, the total net cash and cash equivalents and restricted bank balances of the Group recorded at RMB50.35 million (2022: RMB37.20 million), representing 15.18% (2022: 10.09%) of total assets and 18.02% (2022: 12.32%) 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 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 July 2022 and 2023.

As at 31 July 2023, the Group's net current assets were RMB69.20 million (2022: RMB105.09 million). As at 31 July 2023 and 2022, there were no bank facilities available to the Group for working capital purposes.

CAPITAL STRUCTURE

As at 31 July 2023, the Group's total equity attributable to owners of the Company was RMB279.30 million (2022: RMB301.96 million). Total assets of the Group amounted to RMB331.71 million (2022: RMB368.54 million), 59.80% (2022: 60.94%) of which comprised PPE and ROU.

CHARGES ON GROUP ASSETS

As at 31 July 2023 and 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. The Group will explore new market opportunities and expand its business portfolio, aiming to enrich its income streams and maintain steady business growth. 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 2023.

FOREIGN EXCHANGE EXPOSURE

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

During the financial year, the Group has made net foreign exchange gains of RMB0.16 million (2022: RMB1.41 million) mainly due to the unrealised and realised foreign exchange gain.

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

As at 31 July 2023, 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 RMB859,000 lower/higher (2022: post-tax loss for the year would have been approximately RMB1,443,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

As at 31 July 2022, if RMB had weakened/strengthened by 5% against HK\$, with all other variables held constant, post-tax loss for the year would have been approximately RMB140,000 higher/lower (2022: post-tax loss for the year would have been approximately RMB762,000 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 2023, the Group had a total of 160 employees (2022: 253). 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 RMB20.58 million (2022: RMB35.43 million). The decrease in human resources expenses was mainly due to the decrease in the number of employees during the financial year. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

DIVIDENDS

The Board does not recommend any dividend payment for the financial year ended 31 July 2023 (2022: nil).

FUTURE PROSPECTS AND CHALLENGES

The rising in inflation rate and fear of global recession causing 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. In addition, the Group will look for any possible ways to optimise the utilization of the existing PPE including leasing of the idle facilities.

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 2023 requiring disclosure in this results announcement.

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

During the year ended 31 July 2023, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual financial results for the year ended 31 July 2023 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 ("**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the financial year 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. During the financial year, each of Mr. Beh Kim Ling and Mr. Gan Sem Yam was 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 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 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and the related notes thereto for the year ending 31 July 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and gratitude to the Company's shareholders, bankers, customers, suppliers, business associates and regulatory authorities for their confidence and continuous support to the Group. I also wish to take this opportunity to thank my fellow Directors, the management team, staff and employees for their full commitment, loyalty and dedication to the Group, which enabled us to overcome the challenges encountered during the year.

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

Johor Bahru, Malaysia
25 September 2023

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

Executive Directors:

Mr. Beh Kim Ling
Mr. Beh Chern Wei
Mr. Zhang Pei Yu (*Ms. Beh Hwee Sze*
as his alternate)

Independent non-executive Directors:

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