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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 TWELVE MONTHS ENDED 31 JULY 2024

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 twelve months ended 31 July 2024, which have been reviewed by the audit committee (“**Audit Committee**”) of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months ended 31 July 2024

	Note	Twelve months ended 31 July	
		2024	2023
		RMB'000	RMB'000
		Unaudited	Audited
Revenue		56,044	76,443
Cost of sales		<u>(49,234)</u>	<u>(64,932)</u>
Gross profit		6,810	11,511
Other income – net		4,971	4,517
Other losses – net	4	(16,910)	(9,337)
Distribution costs		(1,290)	(1,659)
General and administrative expenses		(62,354)	(28,789)
Gain on bargain purchase	6	47,475	–
Reversal of impairment loss/(impairment loss) on financial assets		<u>44</u>	<u>(27)</u>
Operating loss		(21,254)	(23,784)
Finance costs – net	5(a)	(349)	(910)
Share of net profit of an associate accounted for using the equity method		4,094	2,402
Reversal of impairment on investment accounted for using the equity method		<u>9,179</u>	<u>–</u>
Loss before income tax	5	(8,330)	(22,292)
Income tax expenses	7	<u>(473)</u>	<u>(28)</u>
Loss for the period		<u>(8,803)</u>	<u>(22,320)</u>
Attributable to:			
Owners of the Company		(9,502)	(22,320)
Non-controlling interests		<u>699</u>	<u>–</u>
Loss for the period		<u>(8,803)</u>	<u>(22,320)</u>
Loss per share attributable to owners of the Company during the period (Renminbi cents)			
Basic and diluted	9	<u>(0.41)</u>	<u>(0.97)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 July 2024

		Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		295,014	185,289
Right-of-use assets		47,369	13,065
Other receivables, deposits and prepayments	10	2,343	–
Deferred income tax assets		4,486	–
Financial asset at fair value through other comprehensive income		–	2,300
Investment accounted for using the equity method		–	10,365
		<u>349,212</u>	<u>211,019</u>
Current assets			
Inventories		84,971	8,057
Trade and other receivables, deposits and prepayments	10	61,756	26,226
Amounts due from related parties		–	948
Restricted bank balances		13,154	–
Cash and cash equivalents		84,650	85,457
		<u>244,531</u>	<u>120,688</u>
Total assets		<u>593,743</u>	<u>331,707</u>
EQUITY			
Capital and reserves			
Share capital		114,351	105,013
Share premium		310,099	306,364
Other deficits		<u>(142,078)</u>	<u>(132,075)</u>
Total equity attributable to owners of the Company		282,372	279,302
Non-controlling interests		<u>60,380</u>	–
Total equity		<u>342,752</u>	<u>279,302</u>

		Unaudited	Audited
		At 31 July	At 31 July
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Loans from a director		20,099	–
Borrowings		6,362	–
Lease liabilities		13,130	–
Employee benefit obligations		2,802	–
Amounts due to related parties		864	–
Deferred income tax liabilities		4,881	920
		<u>48,138</u>	<u>920</u>
Current liabilities			
Trade and other payables	<i>11</i>	86,092	15,948
Contract liabilities		4,814	–
Loans from a director		24,168	35,108
Borrowings		77,571	–
Lease liabilities		6,483	–
Amounts due to related parties		3,169	429
Tax payable		556	–
		<u>202,853</u>	<u>51,485</u>
Total liabilities		<u>250,991</u>	<u>52,405</u>
Total equity and liabilities		<u>593,743</u>	<u>331,707</u>

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Board resolved to change the financial year end date of the Company from 31 July to 31 December (*Note 2*). This condensed consolidated interim financial information for the twelve months ended 31 July 2024 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 2023, 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 2023.

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 2023, 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 2023:

Standards	Subject of amendment
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKFRS 17	Insurance Contracts
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

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 reporting periods beginning on or after 1 August 2023 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
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 CHANGE OF FINANCIAL YEAR END DATE

On 9 August 2024, the Company has resolved to change the financial year end date of the Company from 31 July to 31 December. The forthcoming financial year end date of the Company will be 31 December 2024 and the next audited consolidated financial statements of the Company will cover a period of 17 months from 1 August 2023 to 31 December 2024. Accordingly, the condensed consolidated second interim financial statements of the Company covers the twelve months ended 31 July 2024 with comparative figures cover the twelve months ended 31 July 2023.

3 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 deferred income tax assets, financial asset at fair value through other comprehensive income, investment accounted for using the equity method and unallocated head office and corporate assets. Segment liabilities include trade and other payables attributable to the individual segments.

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

Revenue for the period consists of the following:

	Twelve months ended 31 July	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Revenue		
Plastic injection and moulding	42,148	52,247
Assembling of electronic products	12,983	20,026
Mould design and fabrication	913	4,170
	<u>56,044</u>	<u>76,443</u>
Timing of revenue recognition		
At a point in time	56,044	63,289
Over time	–	13,154
	<u>56,044</u>	<u>76,443</u>

(a) Segment results, assets and liabilities

The measure used for reporting segment profit/loss is “segment result”. To arrive at “segment result”, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

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

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Plastic injection and moulding		Assembling of electronic products		Mould design and fabrication		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023
	<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>
Twelve months ended 31 July:								
Revenue from external customers	<u>42,148</u>	<u>52,247</u>	<u>12,983</u>	<u>20,026</u>	<u>913</u>	<u>4,170</u>	<u>56,044</u>	<u>76,443</u>
Reportable segment result	<u>(1,748)</u>	<u>(6,260)</u>	<u>1,692</u>	<u>3,764</u>	<u>22</u>	<u>559</u>	<u>(34)</u>	<u>(1,937)</u>
Additions to non-current segment assets during the period	<u>901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>901</u>	<u>-</u>
At 31 July:								
Reportable segment assets	<u>213,762</u>	<u>123,945</u>	<u>136,386</u>	<u>1,756</u>	<u>6,764</u>	<u>5,985</u>	<u>356,912</u>	<u>131,686</u>
Reportable segment liabilities	<u>34,604</u>	<u>8,172</u>	<u>59,985</u>	<u>2,194</u>	<u>6,041</u>	<u>638</u>	<u>100,630</u>	<u>11,004</u>

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

	Twelve months ended 31 July	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Revenue		
Reportable segment revenue	<u>56,044</u>	<u>76,443</u>
Consolidated revenue	<u>56,044</u>	<u>76,443</u>

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Audited
Profit or loss		
Reportable segment loss	(34)	(1,937)
Finance costs – net (<i>Note 5(a)</i>)	(349)	(910)
Share of net profit of an associate accounted for using the equity method	4,094	2,402
Reversal of impairment on investment accounted for using the equity method	9,179	–
Gain on bargain purchase	47,475	–
Fair value gain on step acquisition on investment accounted for using the equity method	2,270	–
Unallocated depreciation and amortisation	(7,121)	(6,630)
Unallocated head office and corporate expenses	(63,844)	(15,217)
Loss before income tax	<u>(8,330)</u>	<u>(22,292)</u>
	Unaudited	Audited
	At 31 July	At 31 July
	2024	2023
	RMB'000	RMB'000
Assets		
Reportable segment assets	356,912	131,686
Deferred income tax assets	4,486	–
Financial asset at fair value through other comprehensive income	–	2,300
Investment accounted for using the equity method	–	10,365
Unallocated head office and corporate assets	232,345	187,356
Consolidated total assets	<u>593,743</u>	<u>331,707</u>
Liabilities		
Reportable segment liabilities	100,630	11,004
Deferred income tax liabilities	4,881	920
Unallocated head office and corporate liabilities	145,480	40,481
Consolidated total liabilities	<u>250,991</u>	<u>52,405</u>

(c) Revenue by geographical locations

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

	Twelve months ended 31 July	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Mainland China	36,207	63,076
United States of America	13,178	–
South East Asia	4,238	73
Europe	1,815	–
Hong Kong	606	13,294
	<u>56,044</u>	<u>76,443</u>

4 OTHER LOSSES – NET

	Twelve months ended 31 July	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Impairment on property, plant and equipment	(20,349)	(6,708)
Impairment on right-of-use assets	(316)	(558)
Net foreign exchange gains	989	158
Gain on disposal of property, plant and equipment and right-of-use assets	458	2,001
Net loss on property, plant and equipment and right-of-use assets written off	(412)	(4,230)
Gain on disposal of a financial asset at fair value through other comprehensive income	450	–
Fair value gain on step acquisition on investment accounted for using the equity method	2,270	–
	<u>(16,910)</u>	<u>(9,337)</u>

5 LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the following:

(a) Finance costs – net

	Twelve months ended 31 July	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Interest income from bank deposits	<u>(1,476)</u>	<u>(921)</u>
Interest on loans from a director	1,417	1,764
Interest on bank borrowings	116	–
Interest expenses on lease liabilities	154	–
Other finance charges	<u>138</u>	<u>67</u>
	<u>1,825</u>	<u>1,831</u>
Finance costs – net	<u>349</u>	<u>910</u>

(b) Other items

	Twelve months ended 31 July	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Cost of sales	49,234	64,932
Depreciation on property, plant and equipment	12,223	12,810
Depreciation on right-of-use assets	1,267	648
Expenses relating to short-term leases	618	1,495
Written off of government subsidy receivable	12,575	–
(Reversal of impairment loss)/impairment loss on financial assets	(44)	27
Legal and professional fee	7,267	2,422
Provision/(reversal of provision) for impairment of inventories	23	(399)
Staff costs	<u>30,759</u>	<u>26,013</u>

6 STEP ACQUISITION OF VS INDUSTRY VIETNAM JOINT STOCK COMPANY

V.S. Holding Vietnam Limited, a wholly-owned subsidiary of the Group, holds 18.74% equity interest in VS Industry Vietnam Joint Stock Company (“**VS Vietnam**”), which was classified as an associate under “investments accounted for using the equity method” as at 31 July 2023.

On 21 February 2024, V.S. Holding Vietnam Limited entered into a sales and purchase agreement with B&E Holding Limited to acquire 43.29% equity interest in VS Vietnam at a total cash consideration of HK\$12,000,000 (equivalent to RMB11,009,000) and share consideration of 203,571,429 shares of the Company.

Upon closing of the said transaction on 15 July 2024, the Group's effective equity interest in VS Vietnam increased to 62.03%, the Group acquired controls over VS Vietnam and it became a subsidiary of the Group.

The fair value of the Group's then effective equity holding immediately before the completion of the step acquisition formed part of the total consideration of the step acquisition.

The fair value of the initial 18.74% interest in VS Vietnam held by the Group prior to the completion of the step acquisition was estimated by Roma Appraisals Limited, an independent professional qualified valuer, to be RMB25,941,000, which comparing to the carrying amount of RMB23,671,000 as at the acquisition date will give rise to a fair value gain of RMB2,270,000 which was recognised in the condensed consolidated income statement.

Acquisition-related costs are insignificant and had been included in administrative expenses in the condensed consolidated income statement for the twelve months ended 31 July 2024.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase were as follows:

	<i>RMB'000</i>
Consideration:	
Cash consideration	11,009
Share consideration	13,073
Fair value of equity interests previously held by the Group	<u>25,941</u>
Fair value of total consideration	<u>50,023</u>
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property, plant and equipment	131,776
Right-of-use assets	47,061
Inventories	75,130
Trade and other receivables, deposits and prepayments	62,882
Cash and cash equivalents	37,776
Restricted bank balances	13,099
Borrowings	(84,767)
Loans from a director	(20,140)
Trade and other payables	(76,541)
Lease liabilities	(20,128)
Others	<u>(8,969)</u>
Net identifiable assets acquired	157,179
Non-controlling interest	(59,681)
Gain on bargain purchase	<u>(47,475)</u>
Net assets acquired	<u>50,023</u>

7 INCOME TAX EXPENSES

	Twelve months ended 31 July	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Current income tax		
Corporate income tax	(998)	(51)
Adjustment to provision in respect of prior years	-----	-----
	(998)	27
Deferred income tax		
Origination and reversal of temporary differences	-----	-----
	525	(4)
	<u>(473)</u>	<u>(28)</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 twelve months ended 31 July 2024 and 2023.

The Group's subsidiaries established in the People's Republic of China ("PRC") and Vietnam are subject to a corporate income tax rate of 25% and 20% respectively.

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.

8 DIVIDENDS

(i) Dividends payable to owners of the Company attributable to the period

No dividend has been proposed by the Company after the end of the reporting period attributable to the periods ended 31 July 2024 and 2023.

(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.

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB9,502,000 (2023: RMB22,320,000) and the weighted average number of ordinary shares in issue during the current and the prior period as follows:

	Twelve months ended 31 July	
	2024	2023
Loss attributable to owners of the Company (<i>RMB'000</i>)	<u>(9,502)</u>	<u>(22,320)</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>2,315,995</u>	<u>2,307,513</u>
Basic and diluted loss per share (<i>RMB cents</i>)	<u>(0.41)</u>	<u>(0.97)</u>

For the twelve months ended 31 July 2024 and 2023, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding during the period.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	At 31 July	At 31 July
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	55,594	12,346
Less: Loss allowance	<u>–</u>	<u>(44)</u>
Trade receivables – net	55,594	12,302
Other receivables, deposits and prepayments	8,505	13,924
Less: Other receivables, deposits and prepayments (non-current)	<u>(2,343)</u>	<u>–</u>
Total trade and other receivables, deposits and prepayments (current)	<u>61,756</u>	<u>26,226</u>

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

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 <i>RMB'000</i>
Up to 3 months	49,282	11,845
3 to 6 months	<u>6,312</u>	<u>501</u>
	<u>55,594</u>	<u>12,346</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.

11 TRADE AND OTHER PAYABLES

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 <i>RMB'000</i>
Trade payables	57,368	7,456
Accrued expenses and other payables	28,345	8,329
Payables for the purchase of property, plant and equipment	–	38
Deposits received	<u>379</u>	<u>125</u>
Trade and other payables	<u>86,092</u>	<u>15,948</u>

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

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 <i>RMB'000</i>
Less than 1 month	29,657	3,275
1 month to 3 months	26,216	3,327
More than 3 months	<u>1,495</u>	<u>854</u>
	<u>57,368</u>	<u>7,456</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

OVERVIEW

During the financial period, the Group acquired 43.29% equity interest in VS Vietnam (the “**Acquisition**”). Upon completion of the Acquisition, the Group owns approximately 62.03% of the issued share capital of VS Vietnam and the financial results of which were consolidated into the financial statements of the Group. VS Vietnam is principally engaged in the provision of manufacturing and selling of plastic injection and moulding, assembling of electronic products and mould design and fabrication in Vietnam. For further details, please refer to the Company’s announcements dated 21 February 2024 and 15 July 2024, and the Company’s circular dated 24 May 2024.

FINANCIAL REVIEW

The Group recorded a revenue of RMB56.04 million, representing a decrease of RMB20.40 million or 26.69% as compared to RMB76.44 million for the corresponding period in 2023. Gross profit for the period decreased from RMB11.51 million for the corresponding period in 2023 to RMB6.81 million. The gross profit margin dropped from 15.06% to 12.15%.

The Group’s operating expenses, composed of distribution costs and general and administrative expenses, increased from RMB30.45 million to RMB63.64 million, an increase of RMB33.19 million as compared to the corresponding period in 2023. The Group recorded a loss attributable to owners of the Company of RMB9.50 million as compared to RMB22.32 million in the corresponding period ended 31 July 2023.

Plastic injection and moulding business

The Group recorded a revenue of RMB42.15 million for this segment, representing a decrease of RMB10.10 million or 19.33% as compared to RMB52.25 million for the corresponding period in 2023 due to the decrease in the sales orders in the PRC by a customer.

Assembling of electronic products business

This segment recorded a revenue of RMB12.98 million, representing a decrease of RMB7.04 million or 35.16% from RMB20.02 million for the corresponding period in 2023. The drop in revenue was mainly due to a drop in the amount of orders from Hong Kong placed by a customer.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB0.91 million, representing a significant decrease of RMB3.26 million or 78.17% as compared to RMB4.17 million for the corresponding period in 2023 due to the decrease in the sales orders in Hong Kong by a customer.

Distribution costs

Distribution costs amounted to RMB1.29 million, representing a decrease of RMB0.37 million or 22.29% as compared to RMB1.66 million in the corresponding period ended 31 July 2023. The decrease in distribution costs was mainly due to the decrease in carriage outward.

General and administrative expenses

General and administrative expenses amounted to RMB62.35 million, representing a significant increase of RMB33.56 million or 116.57% as compared to RMB28.79 million for the corresponding period in 2023. The increase was primarily due to the increase in employee termination benefits of RMB7.39 million, written off of government subsidy receivable of RMB12.58 million and legal and professional fee for the Acquisition of RMB4.82 million during the period.

Other losses – net

During the period, the Group recorded other net losses of RMB16.91 million as compared to RMB9.34 million for the corresponding period in 2023, which comprised mainly net foreign exchange gains of RMB0.99 million, net gain on disposal of property, plant and equipment (“PPE”) and right-of-use assets (“ROU”) of RMB0.46 million, fair value gain on step acquisition on investment accounted for using the equity method of RMB2.27 million and gain on disposal of a financial asset at fair value through other comprehensive income of RMB0.45 million which were offset by a provision of impairment of RMB20.35 million on PPE, a provision of impairment of RMB0.32 million on ROU, and net loss on PPE and ROU written off of RMB0.41 million, which mainly included the costs of disposal and written off of idle and obsolete PPE and ROU.

Finance costs – net

The net finance costs for the period amounted to RMB0.35 million (2023: RMB0.91 million). The decrease was mainly due to lower interest-bearing borrowings during the financial 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 RMB4.09 million (2023: RMB2.40 million) was solely attributed to profit recorded from its associate, i.e. VS Vietnam, before completion of the Acquisition.

Reversal of impairment on investment accounted for using the equity method

During the period, VS Vietnam, an associate of the Company before completion of the Acquisition, recorded steady improvement of business performance. After considering the financial position of VS Vietnam and the likelihood of recovering the net investment in VS Vietnam as an associate, the management of the Group made a reversal of impairment of RMB9,179,000 against its carrying amount of this investment in associate.

Gain on bargain purchase

During the period, the Group completed the acquisition of VS Vietnam, the resulted gain on bargain purchase amounted to RMB47,450,000 represents the difference between the fair value of the consideration paid to the seller and the net identifiable assets in VS Vietnam.

Future prospects

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 is looking into way to optimise the utilization of the existing PPE including leasing of the idle facilities.

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 July 2024, the Group had cash and cash equivalents and restricted bank balances of RMB97.80 million (31 July 2023: RMB85.46 million), of which RMB12.80 million (2023: nil) was pledged to banks for the facilities granted to the Group. 44.44%, 42.32% and 12.06% of cash and cash equivalents and restricted bank balances are denominated in United States dollars (“USD”), Renminbi (“RMB”) and Vietnamese Dong (“VND”), respectively.

As at 31 July 2024, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB147.71 million (31 July 2023: RMB35.11 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (76.26%), VND (18.01%) and HK\$ (5.73%), and the maturity profile is as follows:

Repayable	As at 31 July 2024		As at 31 July 2023	
	RMB million	%	RMB million	%
	(Unaudited)		(Audited)	
Within one year	108.22	73.22	35.11	100.00
After one year but within two years	16.42	11.11	–	–
After two years but within five years	23.17	15.67	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings including lease liabilities and loans from a director	147.81	<u>100.00</u>	35.11	<u>100.00</u>
Cash and cash equivalents and restricted bank balances	<hr/>	(97.80)	<hr/>	(85.46)
Net borrowings including lease liabilities and loans from a director/(cash and cash equivalents and restricted bank balances)	<hr/>	<u>50.01</u>	<hr/>	<u>(50.35)</u>

As at 31 July 2024, the Group's net current assets were RMB41.68 million (31 July 2023: RMB69.20 million).

The gearing ratio is calculated as the Group's net borrowings at the end of the financial period divided by total capital at the end of the financial period. 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 15.05% as at 31 July 2024

CHARGES ON GROUP ASSETS

As at 31 July 2024, the Group's secured banking facilities, including trade finance, overdrafts and bank loans, totaling RMB108.40 million (2023: nil) were secured by (i) restricted bank balances of the Group of RMB12.80 million (2023: nil); (ii) the building of the Group, net book value of which amounted to RMB37.93 million (2023: nil); (iii) PPE and ROU of the Group, net book value of which amounted to RMB50.90 million (2023: nil); and (iv) land use rights of the Group, net book value of which amounted to RMB2.81 million (2023: nil).

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

Save as the Acquisition disclosed above, the Group did not conduct any significant investments, material acquisitions or disposals during the financial period. 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.

CONTINGENT LIABILITIES

The Group does not have any material contingent liabilities as at 31 July 2024.

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 RMB0.99 million (2023: RMB0.16 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 July 2024, 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 RMB4,238,000 lower/higher (2023: post-tax loss for the period would have been approximately RMB859,000 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 2024, 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 RMB446,000 lower/higher (2023: post-tax loss for the period would have been approximately RMB140,000 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 2024, the Group had a total of 1,016 employees (31 July 2023: 160). 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 but including employee termination benefits) for the period amounted to RMB25.29 million (2023: RMB20.58 million). The increase in human resources expenses was mainly due to the increase in the employee termination benefits during the period. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

DIVIDENDS

The Board does not recommend any dividend payment for the twelve months ended 31 July 2024 (2023: 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 twelve months ended 31 July 2024 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules 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 date as at 31 July 2024 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 C1 to the Listing Rules throughout the twelve months except for the deviation from Code Provision C.2.1 in respect of segregation of the roles of chairman and chief executive officer.

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

COMPLIANCE WITH APPENDIX C3 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 C3 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 C3 to the Listing Rules throughout the twelve months period ended 31 July 2024.

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

Johor Bahru, Malaysia
23 September 2024

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
Ms. Fu Xiao Nan
Mr. Wan Mohd Fadzmi