



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)

SECOND
INTERIM REPORT
2023/24



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Beh Kim Ling (*Chairman*)

Beh Chern Wei (*Managing Director*)

Zhang Pei Yu

(*Ms. Beh Hwee Sze as his alternate*)

Independent non-executive Directors

Tang Sim Cheow

Wan Mohd Fadzmi

Fu Xiao Nan

AUDIT COMMITTEE OF THE BOARD

Tang Sim Cheow (*Chairman of the Audit Committee*)

Wan Mohd Fadzmi

Fu Xiao Nan

REMUNERATION COMMITTEE OF THE BOARD

Fu Xiao Nan

(*Chairman of the Remuneration Committee*)

Tang Sim Cheow

Beh Kim Ling

NOMINATION COMMITTEE OF THE BOARD

Wan Mohd Fadzmi

(*Chairman of the Nomination Committee*)

Tang Sim Cheow

Beh Chern Wei

COMPANY SECRETARY

Ng Ting On, Polly

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

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LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

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1 Connaught Place

Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and Registered Public Interest
Entity Auditor*

22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

United Overseas Bank (Vietnam) Limited, Hanoi Branch
Joint Stock Commercial Bank For Foreign Trade of Vietnam
Vietnam Technological and Commercial Joint Stock Bank
Malayan Banking Berhad Hong Kong Branch
Industrial & Commercial Bank of China Ltd.

SUBSIDIARIES

V.S. International Industry Limited

V.S. Holding Vietnam Limited

Energy Ally Global Limited

Vistra Corporate Services Centre
Wickhams Cay II, Road Town, Tortola
VG1110, British Virgin Islands

V.S. Corporation (Hong Kong) Co., Limited

VSA Holding Hong Kong Co., Limited

V.S. Industry Holding Limited

RM 4018, 40/F, Jardine House
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Tel. No: (852) 2511 9002
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V.S. Technology Industry Park (Zhuhai) Co., Ltd.

V.S. Industry (Zhuhai) Co., Ltd.

Zhuhai Deyuan Energy Conservation Technology Company Limited

Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
Guangdong Province
The People's Republic of China
Tel. No: (86) 756 6295 888
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VS Industry Vietnam Joint Stock Company

Quevo Industrial Park, Vanduong Commune
Quevo District
Bacninh Province
Vietnam
Tel. No: (84) 222 3634 300
Fax No: (84) 222 3634 308



Introduction

The board (“Board”) of directors (“Directors”) of V.S. International Group Limited (“Company”) submits herewith the second interim financial report of the Company and its subsidiaries (together, the “Group”) for the twelve months ended 31 July 2024, which has 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 RMB'000 Unaudited	2023 RMB'000 Audited
Revenue	5	56,044	76,443
Cost of sales		(49,234)	(64,932)
Gross profit		6,810	11,511
Other income – net		4,971	4,517
Other losses – net	6	(16,910)	(9,337)
Distribution costs		(1,290)	(1,659)
General and administrative expenses		(62,354)	(28,789)
Gain on bargain purchase		47,475	–
Reversal of impairment loss/(impairment loss) on financial assets		44	(27)
Operating loss		(21,254)	(23,784)
Finance costs – net	7(a)	(349)	(910)
Share of net profit of an associate accounted for using the equity method	14	4,094	2,402
Reversal of impairment on investment accounted for using the equity method	14	9,179	–
Loss before income tax	7	(8,330)	(22,292)
Income tax expenses	9(a)	(473)	(28)
Loss for the period		(8,803)	(22,320)
Attributable to:			
Owners of the Company		(9,502)	(22,320)
Non-controlling interests		699	–
Loss for the period		(8,803)	(22,320)
Loss per share attributable to owners of the Company during the period (Renminbi cents)			
Basic and diluted	10	(0.41)	(0.97)

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the twelve months ended 31 July 2024

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Audited
Loss for the period	(8,803)	(22,320)
Other comprehensive income for the period		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	(501)	467
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value loss on financial asset at fair value through other Comprehensive income	-	(800)
Total comprehensive loss for the period	(9,304)	(22,653)
Attributable to:		
Owners of the Company	(10,003)	(22,653)
Non-controlling interests	699	-
Total comprehensive loss for the period	(9,304)	(22,653)

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 July 2024

		Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	295,014	185,289
Right-of-use assets	11(b)	47,369	13,065
Other receivables, deposits and prepayments	13	2,343	–
Deferred income tax assets	9(b)	4,486	–
Financial asset at fair value through other comprehensive income	12	–	2,300
Investment accounted for using the equity method	14	–	10,365
		349,212	211,019
Current assets			
Inventories	15	84,971	8,057
Trade and other receivables, deposits and prepayments	13	61,756	26,226
Amounts due from related parties	21(b)	–	948
Restricted bank balance	16	13,154	–
Cash and cash equivalents	17	84,650	85,457
		244,531	120,688
Total assets		593,743	331,707
EQUITY			
Capital and reserves			
Share capital	19	114,351	105,013
Share premium		310,099	306,364
Other deficits		(142,078)	(132,075)
Total equity attributable to owners of the Company		282,372	279,302
Non-controlling interests		60,380	–
Total equity		342,752	279,302

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 July 2024

		Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Loans from a director	21(d)	20,099	–
Borrowings	18	6,362	–
Lease liabilities	11(b)	13,130	–
Employee benefit obligations		2,802	–
Amounts due to related parties	21(c)	864	–
Deferred income tax liabilities	9(b)	4,881	920
		48,138	920
Current liabilities			
Trade and other payables	20	86,092	15,948
Contract liabilities		4,814	–
Loans from a director	21(d)	24,168	35,108
Borrowings	18	77,571	–
Lease liabilities	11(b)	6,483	–
Amounts due to related parties	21(c)	3,169	429
Tax payable		556	–
		202,853	51,485
Total liabilities		250,991	52,405
Total equity and liabilities		593,743	331,707

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the twelve months ended 31 July 2024

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserve fund RMB'000	Foreign currency translation reserve RMB'000	Financial asset	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
						at fair value				
						through other comprehensive income reserve RMB'000				
At 1 August 2022	105,013	306,364	11,752	61,995	-	(5,098)	(178,071)	301,955	-	301,955
Comprehensive loss										
Loss for the period	-	-	-	-	-	-	(22,320)	(22,320)	-	(22,320)
Other comprehensive loss										
Changes in value on financial asset at fair value through other comprehensive income	-	-	-	-	-	(800)	-	(800)	-	(800)
Currency translation differences	-	-	-	-	467	-	-	467	-	467
Total comprehensive loss	-	-	-	-	467	(800)	(22,320)	(22,653)	-	(22,653)
Reclassification of statutory reserve fund to accumulated losses upon the derecognized of PRC subsidiaries	-	-	-	(18)	-	-	18	-	-	-
At 31 July 2023	105,013	306,364	11,752	61,977	467	(5,898)	(200,373)	279,302	-	279,302
At 1 August 2023	105,013	306,364	11,752	61,977	467	(5,898)	(200,373)	279,302	-	279,302
Comprehensive loss										
Loss for the period	-	-	-	-	-	-	(9,502)	(9,502)	699	(8,803)
Disposal of financial asset	-	-	-	-	-	5,898	(5,898)	-	-	-
Currency translation differences	-	-	-	-	(501)	-	-	(501)	-	(501)
Total comprehensive loss	-	-	-	-	(501)	5,898	(15,400)	(10,003)	699	(9,304)
Consideration shares issue	9,338	3,735	-	-	-	-	-	13,073	-	13,073
Step acquisition of VS Industry Vietnam Joint Stock Company	-	-	-	-	-	-	-	-	59,681	59,681
At 31 July 2024	114,351	310,099	11,752	61,977	(34)	-	(215,773)	282,372	60,380	342,752

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the twelve months ended 31 July 2024

	Note	Twelve months ended 31 July	
		2024	2023
		RMB'000 Unaudited	RMB'000 Audited
Cash flows generated from operating activities			
Cash (used in)/generated from operations		(11,313)	13,683
Income tax paid		(3,119)	(116)
Net cash (used in)/generated from operating activities		(14,432)	13,567
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(901)	–
Proceeds from disposal of property, plant and equipment and right-of-use assets		960	2,671
Settlement for step acquisition of VS Industry Vietnam Joint Stock Company	8	26,767	–
Repayment for lease liabilities		(515)	–
Interest received		1,476	921
Net cash generated from investing activities		27,787	3,592
Cash flows from financing activities			
Repayment of bank loans		(15,211)	–
Drawdown of bank loans		14,377	–
Repayment of loans from a director		(10,981)	(4,477)
Decrease/(increase) in restricted bank balances		(55)	6,000
Borrowing costs paid		(1,825)	(1,831)
Net cash used in financing activities		(13,695)	(308)
Net increase in cash and cash equivalents		(340)	16,851
Cash and cash equivalents at 1 August		85,457	68,606
Exchange loss on cash and cash equivalents		(467)	–
Cash and cash equivalents at 31 July	17	84,650	85,457

The notes on pages 11 to 38 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

V.S. International Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacturing and sale of plastic moulded products and parts, assembling of electronic products, and mould design and fabrication. The Company was incorporated in the Cayman Islands on 9 July 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

This condensed consolidated interim financial information for the twelve months ended 31 July 2024 is unaudited and has been reviewed by the audit committee of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 23 September 2024.

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 second condensed consolidated 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 second interim condensed consolidated financial information.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(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 standard 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.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 July 2023.

There have been no changes in the risk management policies since 31 July 2023.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

4.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the Group's financial assets that are measured at fair value at 31 July 2024 and 31 July 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 July 2024				
Financial assets at fair value through other comprehensive income	-	-	-	-
As at 31 July 2023				
Financial assets at fair value through other comprehensive income	-	-	2,300	2,300

5 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.

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT REPORTING (CONTINUED)

Revenue for the period consists of the following:

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	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
	56,044	76,443
Timing of revenue recognition		
At a point in time	56,044	63,289
Over time	–	13,154
	56,044	76,443

5 SEGMENT REPORTING (CONTINUED)

(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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Twelve months ended 31 July:								
Revenue from external customers	42,148	52,247	12,983	20,026	913	4,170	56,044	76,443
Reportable segment result	(1,748)	(6,260)	1,692	3,764	22	559	(34)	(1,937)
Additions to non-current segment assets during the period	901	-	-	-	-	-	901	-
At 31 July:								
Reportable segment assets	213,762	123,945	136,386	1,756	6,764	5,985	356,912	131,686
Reportable segment liabilities	34,604	8,172	59,985	2,194	6,041	638	100,630	11,004

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT REPORTING (CONTINUED)

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

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Audited
Revenue		
Reportable segment revenue	56,044	76,443
Consolidated revenue	56,044	76,443
Profit or loss		
Reportable segment loss	(34)	(1,937)
Finance costs – net (Note 7(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	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 operating income and expenses	(63,844)	(15,217)
Loss before income tax	(8,330)	(22,292)

5 SEGMENT REPORTING (CONTINUED)

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

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 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	593,743	331,707
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	250,991	52,405

(c) Revenue by geographical locations

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

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	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
	56,044	76,443

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT REPORTING (CONTINUED)

(c) Revenue by geographical locations (Continued)

An analysis of the Group's carrying amount of segment non-current assets is analysed as follows:

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
Mainland China	163,639	211,019
Vietnam	185,573	–
	349,212	211,019

The Group's customer base is diversified but includes two (2023: four) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the twelve months ended 31 July 2024.

Those customers individually contributed 51% and 15% of the Group's revenue (2023: 53%, 17%, 13% and 11%), respectively.

6 OTHER LOSSES – NET

	Twelve months ended 31 July	
	2024 RMB'000 Unaudited	2023 RMB'000 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 equity method	2,270	–
	(16,910)	(9,337)

7 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
	RMB'000	RMB'000
	Unaudited	Audited
Interest income from bank deposits	(1,476)	(921)
Interest on loans from a director	1,417	1,764
Interest on bank borrowings	116	–
Interest expenses on lease liabilities	154	–
Other finance charges	138	67
	1,825	1,831
Finance costs – net	349	910

(b) Other items

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	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 cost	30,759	26,013

8 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 a 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 HK\$14,250,000 (equivalent to RMB13,073,000).

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 consolidated 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.

8 STEP ACQUISITION OF VS INDUSTRY VIETNAM JOINT STOCK COMPANY (CONTINUED)

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

	<u>RMB'000</u>
Consideration:	
Cash consideration	11,009
Share consideration	13,073
Fair value of equity interests previously held by the Group	25,941
Fair value of total consideration	<u>50,023</u>
The assets and liabilities recognised as a result of the acquisition are as follows:	
Non-current assets	185,350
Current assets	187,115
Non-current liabilities	(48,047)
Current liabilities	(167,239)
Net identifiable assets acquired	<u>157,179</u>
Non-controlling interest	(59,681)
Gain on bargain purchase	(47,475)
Net assets acquired	<u><u>50,023</u></u>

Below table represents the net cash outflow resulted from the acquisition:

	<u>RMB'000</u>
Purchase consideration – Cash outflow	
Outflow of cash to acquire subsidiary, net of cash acquired	
Balance acquired	37,776
Less: Cash consideration	(11,009)
Cash and cash equivalents	<u><u>26,767</u></u>

Notes to the Condensed Consolidated Interim Financial Information

9 INCOME TAX EXPENSES

(a) Income tax expenses

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Audited
Current income tax		
Current corporate income tax	(998)	(51)
Adjustment to provision in respect of prior years	–	27
	(998)	(24)
Deferred income tax		
Origination and reversal of temporary differences	525	(4)
	(473)	(28)

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 or the British Virgin Islands.

9 INCOME TAX EXPENSES (CONTINUED)

(b) Deferred income tax assets/(liabilities)

Deferred income tax is recognised on temporary differences under the liability method using the prevailing taxation rate of the regions where the temporary differences are related to.

The movement in the deferred income tax account is as follows:

Deferred income tax liabilities – unremitted retained profits of both PRC and Vietnam subsidiaries

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of the period	(920)	(916)
Acquired through the step acquisition of VS Industry Vietnam Joint Stock Company	(4,430)	–
Credited/(charged) to the income statement	469	(4)
At end of the period	(4,881)	(920)

Deferred income tax assets – provisions

	Twelve months ended 31 July	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Audited
At beginning of the period	–	–
Acquired through the step acquisition of VS Industry Vietnam Joint Stock Company	4,542	–
Charged to the income statement	(56)	–
At end of the period	4,486	–

Notes to the Condensed Consolidated Interim Financial Information

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

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

11 PROPERTY, PLANT AND EQUIPMENT AND LEASES

(a) Property, plant and equipment

	Property, plant and equipment RMB'000
Cost	
Opening balance at 1 August 2022	709,801
Disposals	(11,498)
Written off	(4,660)
At 31 July 2023	<u>693,643</u>
Accumulated depreciation and amortisation	
Opening balance at 1 August 2022	500,146
Charge for the period	12,810
Disposals	(10,880)
Written off	(430)
Impairment	6,708
At 31 July 2023	<u>508,354</u>
Net book value	
At 31 July 2023 (Audited)	<u>185,289</u>
At 31 July 2022 (Audited)	<u>209,655</u>
Cost	
Opening balance at 1 August 2023	693,643
Acquisition of a subsidiary	317,428
Additions	901
Revaluation	7,519
Disposals	(13,663)
Written off	(58,265)
Exchange difference	1
At 31 July 2024	<u>947,564</u>
Accumulated depreciation and amortisation	
Opening balance at 1 August 2023	508,354
Acquisition of a subsidiary	181,802
Charge for the period	12,223
Written back on disposals	(12,326)
Written off	(57,853)
Impairment	20,349
Exchange difference	1
At 31 July 2024	<u>652,550</u>
Net book value	
At 31 July 2024 (Unaudited)	<u>295,014</u>
At 31 July 2023 (Audited)	<u>185,289</u>

Notes to the Condensed Consolidated Interim Financial Information

11 PROPERTY, PLANT AND EQUIPMENT AND LEASES (CONTINUED)

(b) Right-of-use assets and lease liabilities

(i) Amounts recognised in the condensed consolidated interim statement of financial position

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
Right-of-use assets		
Land use rights	16,338	11,736
Machineries	31,031	1,329
	47,369	13,065
Lease liabilities		
Current	6,483	–
Non-current	13,130	–
	19,613	–

There were no additions to the right-of-use assets during the twelve months ended 31 July 2024.

(ii) Amounts recognised in the condensed consolidated income statement

The condensed consolidated income statement shows the following amounts relating to leases:

		Twelve months ended 31 July	
		2024	2023
	Note	RMB'000	RMB'000
		Unaudited	Audited
Depreciation of right-of-use assets	7(b)	1,267	648
Expenses related to short-term leases	7(b)	618	1,495
		1,885	2,143

The total cash outflow for leases for the twelve months ended 31 July 2024 was RMB618,000 (2023: RMB1,495,000).

As at 31 July 2024 and 31 July 2023, right-of-use assets of RMB16,666,000 and property, plant and equipment of RMB33,197,000 have been pledged as security for its trade finances, overdraft and bank loans.

12 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Movements of the carrying amount of financial asset at fair value through other comprehensive income during the period are as follows:

	Unaudited	Audited
	At 31 July	At 31 July
	2024	2023
	RMB'000	RMB'000
At beginning of the period	2,300	3,100
Change in value on fair value through other comprehensive income	–	(800)
Disposal of a financial assets at fair value through other comprehensive income	(2,300)	–
At end of the period	–	2,300

Notes:

- (a) The balance represented fair value of the Group's 10% equity interest in Qingdao GS Electronics Plastics Co., Ltd. and is dominated in RMB.
- (b) Valuation of financial asset at fair value through other comprehensive income

The fair value of the unlisted equity investment that is not traded in an active market is determined by an independent qualified valuer, Asset Appraisal Limited.

The valuation of financial asset at fair value through other comprehensive income is determined using discounted cash flow projects and are within level 3 of fair value hierarchy. The significant unobservable inputs are revenue growth rate and the rate of return on the investment. The lower the rate of return, the higher the fair value of the investment. The higher the revenue growth rate, the higher the fair value of the investment.

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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 RMB'000
Up to 3 months	49,282	9,511
3 to 6 months	6,312	663
Over 6 months	–	300
	55,594	10,474

Credit terms granted by the Group to customers generally range from 30 to 120 days.

The Group does not hold any collaterals from customers.

Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD AND COST METHOD

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
At beginning of period	10,365	7,496
Share of profit of an associate	4,094	2,402
Currency translation differences	33	467
Reversal of impairment (Note)	9,179	–
Deem disposal as completion of step acquisition (Note 8)	(23,671)	–
At end of the period	–	10,365

The particulars of the Group's subsidiary and associate as at 31 July 2024 and 31 July 2023 are as follows:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of capital	% of attributable interests held		Measurement method
				Year	indirectly	
VS Vietnam	Vietnam, Limited liability company	Manufacturing and selling of plastic moulded products and parts in Vietnam	Legal capital of US\$21,291,213	2023	18.74%	Equity method
VS Vietnam	Vietnam, Limited liability company	Manufacturing and selling of plastic moulded products and parts in Vietnam	Legal capital of US\$21,291,213	2024	62.03%	Cost method

There are no contingent liabilities relating to the Group's interest in the subsidiary.

Note:

During the period ended 15 July 2024, VS Vietnam recorded steady improvement of business performance. After considering the financial position of such associate and the likelihood of recovering the net investment in the associate, the management of the Group made a reversal of impairment of RMB9,179,000 against its carrying amount of this investment in associate before the completion of acquisition.

Notes to the Condensed Consolidated Interim Financial Information

15 INVENTORIES

Inventories comprise:

	Unaudited	Audited
	At 31 July	At 31 July
	2024	2023
	RMB'000	RMB'000
Raw materials	53,186	4,141
Work-in-progress	10,478	510
Finished goods	30,754	12,726
Inventories – gross	94,418	17,377
Provision for impairment	(9,447)	(9,320)
Inventories – net	84,971	8,057

16 RESTRICTED BANK BALANCE

	Unaudited	Audited
	At 31 July	At 31 July
	2024	2023
	RMB'000	RMB'000
Pledged deposits with banks (Note)	13,154	–

Note:

The deposits of RMB12,800,000 are pledged to bank as security for certain banking facilities, including trade finances, overdrafts and bank loans.

Notes to the Condensed Consolidated Interim Financial Information

17 CASH AND CASH EQUIVALENTS

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
Cash at banks and on hand	84,480	76,049
Short term bank deposits (Note)	170	9,408
	84,650	85,457

Note:

As at 31 July 2024, the interest rate for cash equivalents range from 3.50% to 5.40% per annum, and are denominated in US\$ and VND with original maturity of not more than 3 months (2023: 4.83% to 5.25%)

18 BORROWINGS

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
Current		
Portion of bank borrowings repayable within one year, secured	77,571	–
	77,571	–
Non-current		
Bank borrowings repayable after one year but within two years, secured	4,251	–
Bank borrowings repayable after two years but within five years, secured	2,111	–
	6,362	–
Total borrowings	83,933	–

Notes to the Condensed Consolidated Interim Financial Information

18 BORROWINGS (CONTINUED)

Certain banking facilities are secured by the following assets of the Group:

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
Bank deposits	12,797	–
Buildings	37,926	–
Equipment and machinery	33,197	–
Motor Vehicle	1,039	–
Land use rights	2,812	–
	87,771	–

The Group's secured banking facilities totalling RMB108,396,000 (31 July 2023: nil), were utilised to the extent of RMB83,933,000 at 31 July 2024 (31 July 2023: nil).

19 SHARE CAPITAL

Authorised and issued share capital

	Unaudited At 31 July 2024		Audited At 31 July 2023	
	Number of shares '000	Amount '000	Number of shares '000	Amount '000
Authorised:				
Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
Issued and fully paid: (RMB'000)				
At 1 August 2022 and 2023	2,307,513	105,013	2,307,513	105,013
Consideration issue	203,571	9,338	–	–
At 31 July 2023 and 2024	2,511,084	114,351	2,307,513	105,013

19 SHARE CAPITAL (CONTINUED)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

20 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	At 31 July	At 31 July
	2024	2023
	RMB'000	RMB'000
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	379	125
Trade and other payables	86,092	15,948

Note:

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

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

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) During the twelve months ended 31 July 2024, the Group entered into the following significant related party transactions:

	Twelve months ended 31 July	
	2024 RMB'000 Unaudited	2023 RMB'000 Audited
Sales of goods to a company controlled by the family member of a director	–	77
Sales of machineries to a company controlled by a family member of a director	–	624
Expense relating to leases paid and payable to a company controlled by a director	374	1,462
Technical service fee paid and payable to a company controlled by the family member of a director	166	555
Repair and maintenance services fee paid and payable to a company controlled by a family member of a director	158	186

The transactions described above are entered into at terms and prices mutually agreed between the relevant parties.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from related parties were detailed as follows:

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
Amount due from a company controlled by a director	–	301
Amount due from a company controlled by a family member of a director	–	647
	–	948

Amounts due from related parties are interest-free, unsecured and repayable on demand.

(c) Amounts due to related parties were detailed as follows:

	Unaudited At 31 July 2024 RMB'000	Audited At 31 July 2023 RMB'000
Amounts due to directors (current)	2,805	429
Amounts due to a shareholder (current)	364	–
Amounts due to a shareholder (non-current)	864	–

The amounts due to related parties are interest-free, unsecured and repayable on demand.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Loans from a director

Loans from a director was unsecured with interest-bearing at the rate of 5.30% and 5.00% per annum, respectively and due for repayment on 30 June 2025 and 31 May 2026, respectively. The carrying amount of the loans from a director approximated its fair value and were denominated in US\$ and HK\$.

	Unaudited	Audited
	At 31 July	At 31 July
	2024	2023
	RMB'000	RMB'000
US\$	35,795	21,392
HK\$	8,472	13,716
	44,267	35,108

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.



Management Discussion and Analysis of Results of Operations

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 RMB47,475,000 represents the difference between the fair value of the consideration paid to the seller and the net identifiable assets in VS Vietnam.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the twelve months ended 31 July 2024 (2023: nil).

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.

Other Information

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 RMB147.81 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 (Unaudited)	%	RMB million (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	–	–
Total borrowings including lease liabilities and loans from a director	147.81	100.00	35.11	100.00
Cash and cash equivalents and restricted bank balances	(97.80)		(85.46)	
Net borrowings including lease liabilities and loans from a director/(cash and cash equivalents and restricted bank balances)	50.01		(50.35)	

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.

FOREIGN EXCHANGE EXPOSURE (CONTINUED)

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.

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.

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 second interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's second 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.

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 July 2024, the interests and short positions of the Directors and chief executive of the Company in the shares ("Shares"), underlying shares and debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Kim Ling	The Company	Beneficial owner	203,404,532 Shares (L)	8.10%
	V.S. Corporation (Hong Kong) Co., Limited ("VSHK")	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	V.S. Industry Berhad ("VS Berhad")	Beneficial owner	298,246,886 ordinary shares (L) (Note 3)	7.59%
Beh Chern Wei	The Company	Beneficial owner	41,111,960 Shares (L)	1.64%
	VSHK	Beneficial owner	1,250,000 non-voting deferred shares of HK\$1 each (L)	1.67%
	VS Berhad	Beneficial owner	123,890,850 ordinary shares (L)	3.15%
Zhang Pei Yu	The Company	Beneficial owner	2,000 Shares (L)	0.00%

Other Information

DIRECTOR'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

Name of Director (Note 1)	The Company/name of associated corporation	Capacity	Number and class of securities (Note 2)	Approximate percentage of interest
Beh Hwee Sze	The Company	Beneficial owner	30,206,960 Shares (L)	1.20%
	VS Berhad	Beneficial owner	138,667,412 ordinary shares (L)	3.53%
Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares (L)	0.03%

Notes:

- Mr. Beh Kim Ling is the father of Mr. Beh Chern Wei and Ms. Beh Hwee Sze.
- The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
- 1,320,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price* of RM0.45 per share during a period of 5 years from 2 July 2020 to 11 May 2025. 1,620,000 of these shares would be allotted and issued upon exercise in full of the outstanding share options granted by VS Berhad at the exercise price RM0.87 per share during a period of 3 years from 17 May 2022 to 11 May 2025.

* VS Berhad completed its bonus issue exercise on 19 May 2021 and the option exercise price has been adjusted accordingly.

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the twelve months ended 31 July 2024 was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the related party transactions as disclosed in note 21 to the second interim financial information of the Group, no contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period under review or at any time during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 July 2024, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of Shares (Note 1)	Nature of interest/capacity	Approximate percentage of Interest
VS Berhad	845,344,130 (L)	Beneficial owner	33.66%
B&E Holding Limited	203,571,429 (L)	Beneficial owner	8.11%
Beh Kim Siea	203,571,429 (L)	Interest in controlled corporation (Note 2)	8.11%
Lui Chong Huat	184,437,833 (L)	Beneficial owner	7.34%
Wan Poh Ping	184,437,833 (L)	Interest of spouse (Note 3)	7.34%
Wu Jeff Jan-Yuan	30,206,960 (L)	Interest of spouse (Note 4)	1.20%

Notes:

- The letter "L" represents the shareholder's long position interest in the shares of the Company.
- B&E Holding Limited is wholly-owned by Mr. Beh Kim Siea. Under the SFO, Mr. Beh Kim Siea is deemed to be interested in all the shares of the Company in which B&E Holding Limited is interested.
- Ms. Wan Poh Ping is the spouse of Mr. Lui Chong Huat. Under the SFO, Ms. Wan Poh Ping is deemed to be interested in all the shares of the Company in which Mr. Lui Chong Huat is interested.
- Mr. Wu Jeff Jan-Yuan is the spouse of Ms. Beh Hwee Sze. Under the SFO, Mr. Wu Jeff Jan-Yuan is deemed to be interested in all the shares of the Company in which Ms. Beh Hwee Sze is interested.

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