



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)

INTERIM REPORT
2019/20

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Beh Kim Ling (*Chairman*)
Gan Sem Yam (*Managing Director*)
Gan Chu Cheng (*passed away on 19 March 2020*)
Beh Chern Wei (*Finance Director*)
Zhang Pei Yu

Non-executive Director

Gan Tiong Sia

Independent non-executive Directors

Diong Tai Pew
Tang Sim Cheow
Fu Xiao Nan

AUDIT COMMITTEE OF THE BOARD

Tang Sim Cheow (*Chairman of the Audit Committee*)
Diong Tai Pew
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

Diong Tai Pew
(*Chairman of the Nomination Committee*)
Tang Sim Cheow
Beh Chern Wei (*appointed on 26 March 2020*)

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

40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
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Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners
40th Floor, Jardine House
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

Corporate Information

PRINCIPAL BANKERS

United Overseas Bank (China) Limited
Malayan Banking Berhad
Industrial & Commercial Bank of China Ltd.
Chinatrust Commercial Bank

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
Fax No: (852) 2511 9880

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

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

VSA Electronics Technology (Zhuhai) Co., Ltd.

V.S. ECO-TECH (Zhuhai) Co., Ltd.

V.S. Industrial Product Design (Zhuhai) Co., Ltd.

Zhuhai Deyuan Energy Conservation Technology Company Limited

Beisha Village, Tangjia Wan Town
Xiangzhou District
519085 Zhuhai
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The People's Republic of China
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Haivs Industry (Qingdao) Co., Ltd.

Qianwangang Road South
Haier International Industrial Park
Qingdao Economic and Technology Development Zone
Huangdao District
266510 Qingdao
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Tel. No: (86) 532 8676 2188
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Qingdao GP Precision Mold Co., Ltd.

Hetao Export Processing Zone
Chengyang District
266113 Qingdao
Shandong Province
The People's Republic of China
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Fax No: (86) 532 8792 3660

ASSOCIATED COMPANY

VS Industry Vietnam Joint Stock Company

Quevo Industrial Park, Vanduong Commune
Quevo District
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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 interim financial report of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 January 2020, which has been reviewed by the audit committee (“Audit Committee”) of the Board.

Condensed Consolidated Income Statement

For the six months ended 31 January 2020

		Unaudited	
		Six months ended 31 January	
		2020	2019
Note		RMB'000	RMB'000 (Restated) (Note 24)
	Revenue	243,986	363,945
	Cost of sales	(216,425)	(336,456)
	Gross profit	27,561	27,489
	Other income – net	4,632	2,196
	Other gains – net	581	534
	Distribution costs	(6,206)	(10,488)
	General and administrative expenses	(28,644)	(40,202)
	Operating loss	(2,076)	(20,471)
	Finance costs – net	(5,716)	(7,117)
	Loss before income tax	(7,792)	(27,588)
	Income tax expense	(420)	(2,885)
	Loss for the period attributable to owners of the Company	(8,212)	(30,473)
	Loss per share attributable to owners of the Company during the period (Renminbi cents)		
	Basic and diluted	(0.36)	(1.32)

The notes on pages 11 to 42 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2020

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
Loss for the period	(8,212)	(30,473)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period attributable to owners of the Company	(8,212)	(30,473)

The notes on pages 11 to 42 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

At 31 January 2020

		Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	10(a)	326,459	376,815
Land use rights	10(a)	–	13,348
Right-of-use assets	10(b)	48,094	–
Financial asset at fair value through other comprehensive income	11	4,900	4,900
Prepayments	13	6,735	7,813
Deferred income tax assets	7(b)	163	314
		386,351	403,190
Current assets			
Inventories	14	56,005	49,250
Contract assets	12	21,369	5,205
Trade and other receivables, deposits and prepayments	13	114,467	128,925
Amounts due from related parties	23(b)	658	2,682
Restricted bank balances	15	61,976	66,582
Cash and cash equivalents	16	48,485	71,758
		302,960	324,402
Total assets		689,311	727,592
EQUITY			
Capital and reserves			
Share capital	17	105,013	105,013
Share premium		306,364	306,364
Other deficit		(28,251)	(20,039)
Total equity attributable to owners of the Company		383,126	391,338

Condensed Consolidated Statement of Financial Position

At 31 January 2020

		Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Loans from a director	23(d)	38,381	17,245
Lease liabilities	10(b)	2,324	–
Finance lease liabilities	20	–	5,974
Deferred income tax liabilities	7(b)	1,915	1,721
		42,620	24,940
Current liabilities			
Trade and other payables	19	96,940	121,234
Amounts due to related parties	23(c)	1,954	1,913
Borrowings	18	155,892	176,393
Lease liabilities	10(b)	8,564	–
Finance lease liabilities	20	–	11,300
Tax payable		215	474
		263,565	311,314
Total liabilities		306,185	336,254
Total equity and liabilities		689,311	727,592

The notes on pages 11 to 42 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2020

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserve fund RMB'000	Employee share based capital reserve RMB'000	Financial asset at fair value through other comprehensive income reserve RMB'000	Retained earnings/(accumulated losses) RMB'000	Total RMB'000
At 1 August 2018	105,013	306,364	11,752	60,411	13,872	-	12,876	510,288
Adjustment on adoption of HKFRS 15	-	-	-	-	-	-	6,510	6,510
Restated balance at 1 August 2018	105,013	306,364	11,752	60,411	13,872	-	19,386	516,798
Comprehensive loss								
Loss for the period	-	-	-	-	-	-	(30,473)	(30,473)
Total comprehensive loss for the period	-	-	-	-	-	-	(30,473)	(30,473)
Transfer upon disposal of a subsidiary	-	-	-	(301)	-	-	301	-
Appropriation	-	-	-	1,116	-	-	(1,116)	-
At 31 January 2019	105,013	306,364	11,752	61,226	13,872	-	(11,902)	486,325
At 1 August 2019	105,013	306,364	11,752	61,449	-	(3,298)	(89,942)	391,338
Comprehensive loss								
Loss for the period	-	-	-	-	-	-	(8,212)	(8,212)
Total comprehensive loss for the period	-	-	-	-	-	-	(8,212)	(8,212)
Appropriation	-	-	-	130	-	-	(130)	-
At 31 January 2020	105,013	306,364	11,752	61,579	-	(3,298)	(98,284)	383,126

The notes on pages 11 to 42 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2020

	Note	Unaudited	
		Six months ended 31 January	
		2020	2019
		RMB'000	RMB'000
Cash flows (used in)/generated from operating activities			
Cash (used in)/generated from operations		(10,958)	7,115
Income tax paid		(334)	(2,664)
Net cash (used in)/generated from operating activities		(11,292)	4,451
Cash flows from investing activities			
Payments for the purchase of property, plant and equipment		(6,749)	(7,950)
Proceeds from disposal of property, plant and equipment		1,630	9,003
Net proceeds on disposal of a subsidiary		–	26,716
Interest received		673	777
Net cash (used in)/generated from investing activities		(4,446)	28,546
Cash flows from financing activities			
Repayment of bank loans		(60,714)	(30,900)
Decrease/(increase) in restricted bank balances		4,606	(18,699)
Increase in loans from a director		21,136	–
Proceeds from new bank loans		54,286	19,990
Net decrease in trust receipt loans		(5,410)	(19,840)
Principal and interest element of lease payment		(7,593)	–
Payment of finance lease liabilities		–	(4,362)
Borrowing costs paid		(5,182)	(7,894)
Net cash generated from/(used in) financing activities		1,129	(61,705)
Net decrease in cash and cash equivalents		(14,609)	(28,708)
Cash and cash equivalents at 1 August		55,311	67,443
Cash and cash equivalents at 31 January	16	40,702	38,735

The notes on pages 11 to 42 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 is ultimately owned by V.S. Industry Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on the Main Market of Bursa Malaysia Security Berhad.

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 six months ended 31 January 2020 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 25 March 2020.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31 July. This condensed consolidated interim financial information for the six months ended 31 January 2020 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 2019, 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 2019.

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 2019, except as mentioned below.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

The Group has applied the following new standards, amendments to standards and interpretations for the first time for their annual reporting period commencing 1 August 2019:

Standards	Subject of amendment
Amendments to Annual Improvements Project	Annual Improvements 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates or Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 15	Clarifications to HKFRS 15
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16, “Leases” is disclosed in “Changes in accounting policies” section below.

Apart from the aforementioned HKFRS 16, there are no other new standards, amendments to standards and interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(b) Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 August 2019, where they are different to those applied in prior periods.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(i) *Impact on condensed consolidated interim financial information*

The Group has adopted HKFRS 16 “Leases” from 1 August 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening condensed consolidated interim statement of financial position on 1 August 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 August 2019. As at 1 August 2019, all operating leases are related to short-term lease and will be recognised on a straight-line basis as expense in profit or loss. There was no impact on the Group’s operating leases as at 1 August 2019.

The following table reconciles the operating lease commitments as disclosed in Note 22(b) as at 31 July 2019 to the opening balance for lease liabilities recognised as at 1 August 2019:

	RMB'000
Operating leases commitments disclosed as at 31 July 2019	2,455
Less: Short-term leases recognised on a straight-line basis as expense	(2,455)
	–
Add: Finance lease liabilities recognised as at 31 July 2019	17,274
Lease liabilities recognised as at 1 August 2019	<u>17,274</u>
Of which are:	
Current lease liabilities	11,300
Non-current lease liabilities	5,974
	<u>17,274</u>

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(i) Impact on condensed consolidated interim financial information (Continued)

The following table shows the adjustments recognised for each individual line item upon the adoption of HKFRS 16. Line items that were not affected by the changes have not been included.

Consolidated statement of financial position (extract)	As at 31		
	July 2019	Effects of	As at
	As previously	adoption of	1 August
	reported	HKFRS 16	2019
	RMB'000	RMB'000	RMB'000
Non-current assets			
Right-of-use assets	–	49,397	49,397
Land use rights	13,348	(13,348)	–
Property, plant and equipment	376,815	(36,049)	340,766
Current liabilities			
Lease liabilities	–	11,300	11,300
Finance lease liabilities	11,300	(11,300)	–
Non-current liabilities			
Lease liabilities	–	5,974	5,974
Finance lease liabilities	5,974	(5,974)	–

The right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidation statement of financial position as at 1 August 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Depreciation was charged on a straight-line basis over the shorter of the asset's useful life and the lease term. For the property, plant and equipment acquired under finance leases, they were depreciated over the underlying assets' useful life if there is reasonable certainty that the Group will obtain ownership at the end of the lease term.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(i) Impact on condensed consolidated interim financial information (Continued)

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. Land use rights previously presented as separate item on the consolidated statement of financial position is also grouped as part of right-of-use assets with effect from 1 August 2019.

The recognised right-of-use assets relate to the following types of assets:

	As at 31 January 2020 RMB'000	As at 1 August 2019 RMB'000
Land use rights	13,147	13,348
Plant and machinery under finance lease	34,947	36,049
Total right-of-use assets	48,094	49,397

The change of accounting policy affected the following items in the statement of financial position on 1 August 2019:

- Right-of-use assets – increased by RMB49,397,000
- Leases liabilities – increased by RMB17,274,000
- Property, plant and equipment – decreased by RMB36,049,000
- Land use rights – decreased by RMB13,348,000
- Finance leases liabilities – decreased by RMB17,274,000

There was no impact on the Group's net loss after tax for the six months ended 31 January 2020 as a result of adoption of HKFRS16.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 August 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 “Determining whether an Arrangement contains a Lease”.

(iii) *HKFRS 16 “Leases” – Accounting policies applied from 1 August 2019*

Leases are recognised as a right-of-use asset and a corresponding liability on the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(iii) HKFRS 16 “Leases” – Accounting policies applied from 1 August 2019 (Continued)

- fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the condensed consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the Group's accounting periods beginning on or after 1 August 2019 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 August 2020
Amendments to HKFRS 3	Definition of a Business	1 August 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 August 2020
HKFRS 17	Insurance Contracts	1 August 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3 FINANCIAL RISK MANAGEMENT

3.1 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 2019.

There have been no changes in the risk management policies since 31 July 2019.

Notes to the Condensed Consolidated Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Liquidity risk

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

3.3 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 January 2020 and 31 July 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 January 2020				
Financial assets at fair value through other comprehensive income	–	–	4,900	4,900
As at 31 July 2019				
Financial assets at fair value through other comprehensive income	–	–	4,900	4,900

There were no transfer of financial asset in the fair value hierarchy classifications for the period ended 31 January 2020.

Notes to the Condensed Consolidated Interim Financial Information

4 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 excluding, financial asset at fair value through other comprehensive income, deferred income tax assets and other corporate assets. Segment liabilities include trade payables, accruals and lease liabilities attributable to the individual segments.

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

Revenue for the period consists of the following:

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
Revenue		
Plastic injection and moulding	100,039	201,817
Assembling of electronic products	129,255	130,491
Mould design and fabrication	14,692	31,637
	243,986	363,945
Timing of revenue recognition		
At a point in time	92,318	143,860
Over time	151,668	220,085
	243,986	363,945

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

The measure used for reporting segment profit 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 concerning “segment result”, management is provided with segment information concerning revenue (including inter-segment sales), 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 31 January:								
Revenue from external customers	100,039	201,817	129,255	130,491	14,692	31,637	243,986	363,945
Reportable segment result	6,132	3,627	16,166	3,535	2,211	2,353	24,509	9,515
Additions to non-current segment assets during the period	1,634	16,263	1,279	2,875	247	5,010	3,160	24,148
At 31 January/31 July:								
Reportable segment assets	328,983	323,777	81,260	74,561	32,403	31,544	442,646	429,882
Reportable segment liabilities	42,298	47,101	43,787	62,438	3,234	4,387	89,319	113,926

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

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

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	243,986	363,945
Consolidated revenue	243,986	363,945
Profit or loss		
Reportable segment profit	24,509	9,515
Finance costs – net (Note 6(a))	(5,716)	(7,117)
Unallocated depreciation and amortisation	(4,826)	(4,687)
Unallocated operating income and expenses	(21,759)	(25,299)
Loss before income tax	(7,792)	(27,588)

	Unaudited	Audited
	At 31 January	At 31 July
	2020	2019
	RMB'000	RMB'000
Assets		
Reportable segment assets	442,646	429,882
Financial asset at fair value through other comprehensive income	4,900	4,900
Deferred income tax assets	163	314
Unallocated head office and corporate assets	241,602	292,496
Consolidated total assets	689,311	727,592
Liabilities		
Reportable segment liabilities	89,319	113,926
Deferred income tax liabilities	1,915	1,721
Unallocated head office and corporate liabilities	214,951	220,607
Consolidated total liabilities	306,185	336,254

Notes to the Condensed Consolidated Interim Financial Information

4 SEGMENT REPORTING (CONTINUED)

(c) Revenue by geographical locations

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

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
United States of America	107,729	151,705
Mainland China	101,495	152,453
South East Asia	14,264	7,381
Hong Kong	12,451	5,585
Europe	6,616	41,456
Others	1,431	5,365
	243,986	363,945

An analysis of the Group's carrying amount of segment non-current assets has not been presented as all of the non-current assets are located in the People's Republic of China ("PRC").

The Group's customer base is diversified but includes three (2019: three) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the six months ended 31 January 2020.

Those customers individually contributed 38%, 16% and 11% of the Group's revenue (2019: 35%, 15% and 11%), respectively.

5 OTHER GAINS – NET

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
Net foreign exchange gain/(loss)	445	(1,359)
Gain/(loss) on disposal of property, plant and equipment	136	(2,159)
Gain on disposal of a subsidiary	–	4,052
	581	534

Notes to the Condensed Consolidated Interim Financial Information

6 LOSS BEFORE INCOME TAX

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

(a) Finance costs – net

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
Interest income from bank deposits	(673)	(777)
Interest on bank borrowings repayable within five years	5,116	6,545
Finance charges on obligation under finance lease	–	766
Interest on lease liabilities	1,207	–
Less: borrowing costs capitalised as construction-in-progress	(135)	(317)
Other finance charges	201	900
	6,389	7,894
Finance costs – net	5,716	7,117

(b) Other items

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000 (Restated)
Cost of sales	216,425	336,456
Amortisation of land use rights	–	201
Depreciation of property, plant and equipment	15,973	23,378
Depreciation and amortisation of right-of-use assets	1,303	–
Operating lease charges in respect of properties	–	4,197
Expenses related to short-term lease payments	2,506	–
Loss allowance on trade receivables	933	–

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
Current income tax		
PRC corporate income tax	75	1,923
Deferred income tax		
Origination and reversal of temporary differences	345	962
	420	2,885

No provision has been made for Hong Kong profits tax as the Group did not earn income subject to Hong Kong profits tax during the six months ended 31 January 2020 and 2019.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for two subsidiaries, which one subsidiary is fully exempt from corporate income tax for the first three years starting from 1 January 2015 to 31 December 2017 after obtaining the concession, following by a 50% tax exemption for the next three years and a subsidiary was certified as High and New Technology Enterprises and is entitled to a concessionary tax rate of 15% from 1 January 2017 to 31 December 2019, which is entitled to re-apply for the preferential tax treatment when the preferential tax period expires.

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.

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX EXPENSE (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 PRC subsidiaries

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
At beginning of the period	(1,721)	(1,782)
Charged to the income statement	(194)	(964)
At end of the period	(1,915)	(2,746)

Deferred income tax assets – provisions

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
At beginning of the period	314	466
(Charged)/credited to the income statement	(151)	2
At end of the period	163	468

Notes to the Condensed Consolidated Interim Financial Information

8 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB8,212,000 (2019: RMB30,473,000) and the weighted average number of ordinary shares in issue during the current and the prior period as follows:

	Unaudited	
	Six months ended 31 January	
	2020	2019
Loss attributable to owners of the Company (<i>RMB'000</i>)	(8,212)	(30,473)
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,307,513	2,307,513
Basic and diluted loss per share (<i>RMB cents</i>)	(0.36)	(1.32)

For the six months ended 31 January 2020 and 2019, diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding during the year.

9 DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the interim period

No dividend has been proposed by the Company after the end of the reporting period attributable to the six months ended 31 January 2020 and 2019.

(b) 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.

Notes to the Condensed Consolidated Interim Financial Information

10 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND LEASES

(a) Property, plant and equipment and land use rights

	Property, plant and equipment RMB'000	Land use rights RMB'000
Cost		
At 31 July and 1 August 2018	1,170,200	20,313
Additions	26,118	–
Disposals	(16,657)	–
At 31 January 2019	1,179,661	20,313
Accumulated depreciation and amortisation		
At 31 July and 1 August 2018	706,712	6,562
Charge for the period	23,378	201
Written back on disposals	(5,495)	–
At 31 January 2019	724,595	6,763
Net book value		
At 31 January 2019 (Unaudited)	455,066	13,550
At 31 July 2018 (Audited)	463,488	13,751
Cost		
Opening balance at 1 August 2019	1,090,584	20,313
Changes in accounting policies (Note 2)	(39,926)	(20,313)
Restated balance at 1 August 2019	1,050,658	–
Additions	3,160	–
Disposals	(5,138)	–
At 31 January 2020	1,048,680	–
Accumulated depreciation and amortisation		
Opening balance at 1 August 2019	713,769	6,965
Changes in accounting policies (Note 2)	(3,877)	(6,965)
Restated balance at 1 August 2019	709,892	–
Charge for the period	15,973	–
Written back on disposals	(3,644)	–
At 31 January 2020	722,221	–
Net book value		
At 31 January 2020 (Unaudited)	326,459	–
At 31 July 2019 (Audited)	376,815	13,348

Notes to the Condensed Consolidated Interim Financial Information

10 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND LEASES (CONTINUED)

(a) Property, plant and equipment and land use rights (Continued)

As at 31 July 2019, certain right-of-use assets, land use rights, property, plant and equipment have been pledged as security for its trade finances, overdraft and bank loans (note 18).

(b) Leases

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

	At 31 January 2020 RMB'000	At 1 August 2019 RMB'000
Right-of-use assets		
Land use rights	13,147	13,348
Plant and machinery under finance lease	34,947	36,049
	48,094	49,397
Lease liabilities		
Current	8,564	11,300
Non-current	2,324	5,974
	10,888	17,274

There were no additions to the right-of-use assets during the six months ended 31 January 2020.

Notes to the Condensed Consolidated Interim Financial Information

10 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND LEASES (CONTINUED)

(b) Leases (Continued)

(ii) Amounts recognised in the condensed consolidated income statement

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

	Note	Unaudited	
		Six months ended 31 January	
		2020	2019
		RMB'000	RMB'000
Depreciation and amortisation of right-of-use assets	6(b)	1,303	–
Interest on lease liabilities	6(a)	1,207	–
Expenses related to short-term lease payments	6(b)	2,506	–
		5,016	–

The total cash outflow for leases for the six months ended 31 January 2020 was RMB7,593,000.

Notes to the Condensed Consolidated Interim Financial Information

11 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 At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
At beginning of the period	4,900	8,198
Change in value on fair value through other comprehensive income	–	(3,298)
At end of the period	4,900	4,900

Notes:

- (a) The balance represented fair value of the Group's 10% equity interest in Qingdao GS Electronics Plastic Co., Ltd. and 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 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

12 CONTRACT ASSETS

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Contract assets	21,369	5,205

Contract assets related to sales consisted of unbilled amounts resulting from sales of goods when revenue recognised over time exceeds the amounts billed to the customers

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Trade receivables	87,562	102,810
Bills receivables	10,123	7,345
Trade and bills receivables – gross	97,685	110,155
Less: Loss allowance	(2,687)	(1,754)
Trade and bills receivables – net	94,998	108,401
Other receivables, deposits and prepayments	60,204	62,337
Less: Loss allowance (Note)	(34,000)	(34,000)
Other receivables, deposits and prepayments – net	26,204	28,337
Less: Prepayments (non-current)	(6,735)	(7,813)
Total trade and other receivables, deposits and prepayments (current)	114,467	128,925

Notes to the Condensed Consolidated Interim Financial Information

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Note:

Included in “Other receivables, deposits and prepayments” were deposits of RMB34,000,000 (“Deposits”) in relation to a conditional acquisition agreement (as supplemented) (“Agreement”) entered into with a third party vendor (“Vendor”) on 5 February 2015 to acquire from the Vendor 20% equity interest of a company involved in a solar energy project in Inner Mongolia, the PRC for a consideration of RMB44,000,000 subject to fulfilment of certain conditions set out therein. In addition, under the Agreement, upon completion of the acquisition of the 20% equity interest, the Group would be entitled to an option for an exercisable period of 3 months to acquire the remaining 80% equity interest of the target company at its sole discretion. On 1 November 2015, the Agreement lapsed as certain conditions as set out in the Agreement had not been fulfilled. The Group has been in discussions with the Vendor regarding the full refund of Deposits of RMB34,000,000. On 31 August 2016, a settlement agreement (“Settlement Agreement”) was entered into between the Group and the Vendor, pursuant to which the Vendor shall repay the Deposits and the interest thereon at 5% per annum by 30 November 2016. Up to the date of this condensed consolidated interim financial information, the Deposits have not yet been refunded to the Group. In view of the lapse of the Agreement and Settlement Agreement, and there is no collateral or guarantee provided by the Vendor to the Group on the refund of the Deposits, loss allowance was made on the entire amount of the Deposits as at 31 January 2020 and 31 July 2019. The Group has taken legal proceedings against the Vendor to claim for the full refund of Deposits and relevant interests.

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

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Up to 3 months	83,131	102,610
3 to 6 months	14,062	6,975
Over 6 months	492	570
	97,685	110,155

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 INVENTORIES

Inventories comprise:

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Raw materials	27,230	25,179
Work-in-progress	9,651	4,967
Finished goods	19,124	19,104
	56,005	49,250

15 RESTRICTED BANK BALANCES

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Pledged deposits with banks (Note)	61,976	64,905
Other restricted bank balances	–	1,677
	61,976	66,582

Note:

The deposits are pledged to banks as security for certain banking facilities, including trade finances, overdrafts and bank loans (Note 18).

Notes to the Condensed Consolidated Interim Financial Information

16 CASH AND CASH EQUIVALENTS

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Cash and cash equivalents	48,485	71,758
Bank overdrafts (Note 18)	(7,783)	(16,447)
Cash and cash equivalents in the condensed consolidated statement of cash flows	40,702	55,311

17 SHARE CAPITAL

Authorised and issued share capital

	Unaudited At 31 January 2020		Audited At 31 July 2019	
	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 2018, 31 July 2019 and 31 January 2020	2,307,513	105,013	2,307,513	105,013

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.

Notes to the Condensed Consolidated Interim Financial Information

18 BORROWINGS

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Current		
Short-term bank borrowings, unsecured	–	19,989
Short-term bank borrowings, secured	86,404	45,235
Bank overdrafts, secured	7,783	16,447
Trust receipts bank loans, secured	61,705	87,838
Portion of bank borrowings repayable within one year, secured	–	6,884
Total borrowings	155,892	176,393

Certain banking facilities, including trade finance, overdrafts and bank loans, are secured by the following assets of the Group:

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Bank deposits	61,976	64,905
Buildings	–	168,447
Plant and machinery	–	11,298
Land use rights	–	13,348
	61,976	257,998

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling RMB336,188,000 (31 July 2019: RMB437,719,000), were utilised to the extent of RMB155,892,000 (31 July 2019: RMB156,404,000). There were no unsecured banking facilities as at 31 January 2020 (31 July 2019: RMB20,000,000). As at 31 July 2019, the unsecured banking facilities were utilised to the extent of RMB19,989,000.

Notes to the Condensed Consolidated Interim Financial Information

19 TRADE AND OTHER PAYABLES

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Trade payables	60,310	68,707
Accrued expenses and other payables	27,377	33,091
Payables for the purchase of property, plant and equipment	2,609	7,277
Contract liabilities (Note)	6,520	10,779
Deposits received	124	1,380
Trade and other payables	96,940	121,234

Note: Contract liabilities include receipts in advance from customers. Contract liabilities of RMB5,052,000 as at 1 August 2019 were recognised as revenue in the current reporting period.

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

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Less than 1 month	17,416	26,282
1 to 3 months	35,284	30,417
More than 3 months	7,610	12,008
	60,310	68,707

Notes to the Condensed Consolidated Interim Financial Information

20 FINANCE LEASE LIABILITIES

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group:

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	–	12,898
Later than 1 year and no later than 5 years	–	6,364
	–	19,262
Future finance charges on finance leases	–	(1,988)
Present value of finance lease liabilities	–	17,274
The present value of finance lease liabilities is as follows:		
No later than 1 year	–	11,300
Later than 1 year and no later than 5 year	–	5,974
	–	17,274

21 SHARE OPTION SCHEME

Pursuant to the resolution duly passed at the extraordinary general meeting of the Company (“2012 EGM”) held on 21 September 2012, the Company adopted a share option scheme, the total number of ordinary shares which could be allotted and issued upon exercise of all options granted or to be granted under the share option scheme must not in aggregate exceed 10 percent of the shares in issue as at the date of the 2012 EGM.

Pursuant to the resolution duly passed at the annual general meeting of the Company (“2018 AGM”) held on 13 December 2018, the Company refreshed the existing share option scheme limit up to 10% of the issued share capital of the Company as at the date of the 2018 AGM. As at the date of the 2018 AGM, there were 2,307,513,363 shares of the Company in issue. Accordingly, the refreshed mandate was 230,751,336 shares of the Company.

Notes to the Condensed Consolidated Interim Financial Information

22 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 January 2020 and 31 July 2019 are as follows:

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Contracted for	3,024	3,428

(b) Operating lease commitments

The Group as lessee

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Within one year	-	2,455

Notes to the Condensed Consolidated Interim Financial Information

23 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is ultimately owned by V.S. Industry Berhad, a company incorporated in Malaysia with limited liability, the shares of which are listed on the Main Market of Bursa Malaysia Securities Berhad.

- (a) During the six months ended 31 January 2020, the Group entered into the following significant related party transactions:

	Unaudited	
	Six months ended 31 January	
	2020	2019
	RMB'000	RMB'000
Sales to the ultimate holding company	962	3,323
Sales of machineries to the ultimate holding company	–	8,722
Operating lease charges paid and payable to a company controlled by a director	2,455	3,829
Management fee paid and payable to a company controlled by a director	–	249
Sub-contracting fee paid and payable to a company controlled by a family member of a director	2,450	2,668
Repair and maintenance services paid and payable to a company controlled by a family member of a director	500	536

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

Notes to the Condensed Consolidated Interim Financial Information

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Amount due from a company controlled by a director	658	339
Amount due from a company controlled by a family member of a director	–	205
Amount due from the ultimate holding company	–	2,138
	658	2,682

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 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Amounts due to directors	582	207
Amount due to the ultimate holding company	15	2
Amounts due to companies controlled by the family member of a director	1,357	1,704
	1,954	1,913

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

Notes to the Condensed Consolidated Interim Financial Information

23 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Loans from a director

Loans from a director was unsecured with interest-bearing at the rate of 4.3% and 4.1% per annum and have fixed repayment term. The carrying amount of the loans from a director approximated its fair value and were denominated in US\$ and HK\$.

	Unaudited At 31 January 2020 RMB'000	Audited At 31 July 2019 RMB'000
Repayable after one year but within two years	38,381	17,245

24 COMPARATIVES

Certain comparative figures of the consolidated statement of comprehensive income have been reclassified to conform to the current year's presentation. These reclassifications have no impact on the Group's total equity as at both 31 January 2020 and 31 July 2019, nor on the Group's profit and net change in cash and cash equivalents for the six months ended 31 January 2020 and 2019. These reclassifications include reclassify certain shipping expenses from distribution costs to cost of sales amounting to RMB15,888,000 for six months period ended 31 January 2019.

25 EVENTS AFTER THE REPORTING PERIOD

After the outbreak of coronavirus disease 2019 ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The PRC government has adopted various strict measures including imposing restriction on the resumption date of work after the Chinese New Year holidays. The COVID-19 outbreak has adverse impact on the business operation and overall economy in some areas or industries around the world, including in China. The degree of the impact depends on the situation of the pandemic preventive measures, the duration of the pandemic and the implementation of regulatory policies, which remains unclear at present. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group going forward.

Madam Gan Chu Cheng, an executive Director and a member of the nomination committee of the Company ("Nomination Committee") had passed away on 19 March 2020. Following the passing away of Madam Gan Chu Cheng, Mr. Beh Chern Wei has been appointed as a member of the Nomination Committee to replace Madam Gan Chu Cheng. Following the appointment of Mr. Beh Chern Wei on 26 March 2020, the Nomination Committee has three members (namely, Mr. Diong Tai Pew (chairman), Mr. Beh Chern Wei and Mr. Tang Sim Cheow) and the Company has fulfilled the prescribed minimum number requirement under the terms of reference of the Nomination Committee.

Saved as disclosed above, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 31 January 2020 requiring disclosure in this interim report.

Management Discussion and Analysis of Results of Operations

OVERVIEW

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

FINANCIAL REVIEW

The Group recorded a revenue of RMB243.99 million, representing a significant decrease of RMB119.96 million or 32.96% as compared to RMB363.95 million for the corresponding period in 2019. Gross profit for the period increased from RMB27.49 million for the corresponding period in 2019 to RMB27.56 million. The gross profit margin raised from 7.55% to 11.30%.

The Group's operating expenses, composed of distribution costs and general and administrative expenses, decreased from RMB50.69 million to RMB34.85 million, a decrease of RMB15.84 million as compared to the corresponding period in 2019. The Group recorded a loss of RMB8.21 million as compared to RMB30.47 million in the corresponding period ended 31 January 2019.

Plastic injection and moulding business

The Group recorded a revenue of RMB100.04 million for this segment as compared to RMB201.82 million for the corresponding period in 2019, representing a significant decrease of RMB101.78 million or 50.43%. The decrease was mainly due to a decrease in the sales orders caused by current cautious business and economic environment.

Assembling of electronic products business

This segment recorded a revenue of RMB129.26 million, representing a slight decrease of RMB1.23 million or 0.94% from RMB130.49 million for the corresponding period in 2019.

Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB14.69 million, representing a decrease of RMB16.95 million or 53.57% as compared to RMB31.64 million for the corresponding period in 2019, as some customers have delayed in launching their new models as a result of global market uncertainty.

Distribution costs

Distribution costs amounted to RMB6.21 million, representing a decrease of RMB4.28 million or 40.80% as compared to RMB10.49 million in the corresponding period ended 31 January 2019. The decrease in distribution costs was mainly due to the decrease in distribution staff costs.

Management Discussion and Analysis of Results of Operations

General and administrative expenses

General and administrative expenses amounted to RMB28.64 million, representing a decrease of RMB11.56 million or 28.76% as compared to RMB40.20 million for the corresponding period in 2019. The decrease was primarily due to lower human resources expenses of RMB7.82 million and research and development expenses of RMB3.26 million during the period.

Other gains – net

During the period, the Group recorded other net gains of RMB0.58 million as compared to RMB0.53 million for the corresponding period in 2019, which comprised mainly net gain on disposal of property, plant and equipment of RMB0.14 million and net foreign exchange gain of RMB0.44 million.

Finance costs – net

The net finance costs for the period decreased by 19.66% or RMB1.40 million from RMB7.12 million for the corresponding period in 2019 to RMB5.72 million. The decrease was mainly due to lower interest-bearing borrowings during the period.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2020 (2019: nil).



Future Prospects

The global economy is facing with unprecedented situation due to the outbreak of COVID-19 pandemic in early January 2020 resulting in restrictions on travelling imposed by various countries, reduction in economic activities, and the price war of crude oil trade. The pandemic and crude oil war have hit various industries and created significant uncertainty in the global business environment. At the moment, the management is unable to assess the extent of the adverse impact of the uncertainties in the business environment to the Group's operation, 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.

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 January 2020, the Group had cash and cash equivalents and restricted bank balances of RMB110.46 million (31 July 2019: RMB138.34 million), of which RMB61.98 million (31 July 2019: RMB64.91 million) was pledged to banks for the facilities granted to the Group. 33.65%, 66.24% and 0.10% of cash and cash equivalents and restricted bank balances are denominated in United States dollars (“USD”), Renminbi (“RMB”) and Hong Kong dollars (“HK\$”), respectively.

As at 31 January 2020, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB205.16 million (31 July 2019: RMB210.91 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (24.99%), RMB (62.58%) and HK\$ (12.43%), and the maturity profile is as follows:

	As at 31 January 2020		As at 31 July 2019	
	RMB million (Unaudited)	%	RMB million (Audited)	%
Repayable				
Within one year	164.46	80.16	187.69	89.00
After one year but within two years	40.70	19.84	23.01	10.91
After two years but within five years	–	–	0.21	0.09
Total borrowings including lease liabilities and loans from a director	205.16	100.00	210.91	100.00
Cash and cash equivalents and restricted bank balances	(110.46)		(138.34)	
Net borrowings including lease liabilities and loans from a director	94.70		72.57	

As at 31 January 2020, the Group’s net current assets were RMB39.40 million (31 July 2019: RMB13.09 million). As at 31 January 2020, the Group has undrawn bank facilities of RMB180.30 million for working capital purposes. The Board is confident that the Group has sufficient operational cash flow to support its working capital requirements.

Gearing ratio is calculated based on net borrowings including lease liabilities and loans from a director at the end of the period divided by total assets at the end of the period multiplied by 100%. Accordingly, the gearing ratio of the Group as at 31 January 2020 was 13.74% (31 July 2019: 9.97%).

CHARGES ON GROUP ASSETS

As at 31 January 2020, certain assets of the Group with an aggregate carrying value of RMB61.98 million (31 July 2019: RMB258.01 million) were pledged to secure loans and trade financing facilities for the Group.

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

The Group did not conduct any significant investments, material acquisitions or disposals. As at the date of this interim report, the Group does not have any concrete plan for material investments or capital assets.

CONTINGENT LIABILITIES

The Group does not have any material contingent liabilities as at 31 January 2020.

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 RMB0.44 million (2019: net loss of RMB1.36 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 borrowings denominated in USD.

The Group did not use any financial instruments to hedge its exposure to foreign currency risk during the period and the management of the Group will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

Other Information

EMPLOYEES AND REMUNERATION POLICY

As at 31 January 2020, the Group had a total of 1,132 employees (31 July 2019: 1,706). During the period, the Group did not make significant change to the Group's remuneration policies. Human resources expenses of the Group (excluding Directors' remuneration) for the period amounted to RMB59.38 million (2019: RMB85.46 million). The decrease in human resources expenses was mainly due to the decrease in the number of employees during the period. The Group's remuneration package is updated on an annual basis and appropriate adjustments are made with reference to prevailing conditions of the human resources market and the general outlook of the economy. The Group's employees are rewarded in tandem with their performance and experience. The Group recognises that the improvement of employees' technical knowledge, welfare and wellbeing is essential to attract and retain quality and dedicated employees in support of future growth of the Group.

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

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

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

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The PRC government has adopted various strict measures including imposing restriction on the resumption date of work after the Chinese New Year holidays. The COVID-19 outbreak has adverse impact on the business operation and overall economy in some areas or industries around the world, including in China. The degree of the impact depends on the situation of the pandemic preventive measures, the duration of the pandemic and the implementation of regulatory policies, which remains unclear at present. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group going forward.

Madam Gan Chu Cheng, an executive Director and a member of the Nomination Committee had passed away on 19 March 2020. Following the passing away of Madam Gan Chu Cheng, Mr. Beh Chern Wei has been appointed as a member of the Nomination Committee to replace Madam Gan Chu Cheng. Following the appointment of Mr. Beh Chern Wei on 26 March 2020, the Nomination Committee has three members (namely, Mr. Diong Tai Pew (chairman), Mr. Beh Chern Wei and Mr. Tang Sim Cheow) and the Company has fulfilled the prescribed minimum number requirement under the terms of reference of the Nomination Committee.

Saved as disclosed above, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 31 January 2020 requiring disclosure in this interim report.

Other Information

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's interim financial results for the six months ended 31 January 2020 and is of the opinion that such statements comply with the applicable accounting standards, the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange 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 January 2020, 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	158,904,532 Shares (L)	6.89%
	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	148,950,993 ordinary shares (L)	8.04%

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
Gan Sem Yam	The Company	Beneficial owner	44,671,395 Shares (L)	1.94%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Berhad	Beneficial owner	85,178,377 ordinary shares (L)	4.60%
Gan Chu Cheng (Note 3)	The Company	Beneficial owner	30,335,880 Shares (L)	1.31%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Berhad	Beneficial owner	129,232,125 ordinary shares (L)	6.98%
Zhang Pei Yu	The Company	Beneficial owner	2,000 Shares (L)	0.00%
Beh Chern Wei	The Company	Beneficial owner	27,000,000 Shares (L)	1.17%
	VS Berhad	Beneficial owner	21,250,000 ordinary shares (L)	1.15%

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
Gan Tiong Sia	The Company	Beneficial owner	17,215,074 Shares (L)	0.75%
	VSHK	Beneficial owner	3,750,000 non-voting deferred shares of HK\$1 each (L)	5.00%
	VS Berhad	Beneficial owner	33,273,037 ordinary shares (L)	1.80%
Diong Tai Pew	The Company	Beneficial owner	1,766,411 Shares (L)	0.08%
	VS Berhad	Beneficial owner	100,000 ordinary shares (L)	0.01%
Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares (L)	0.03%
	VS Berhad	Beneficial owner	125,000 ordinary shares (L)	0.01%

Other Information

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

Notes:

1. Mr. Beh Kim Ling is the husband of Madam Gan Chu Cheng, and the brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Madam Gan Chu Cheng is the sister of Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Mr. Beh Chern Wei is the son of Mr. Beh Kim Ling and Madam Gan Chu Cheng, and the nephew of Mr. Gan Tiong Sia and Mr. Gan Sem Yam.
2. The letter "L" represents the Director's long position interest in the shares and underlying shares of the Company or its associated corporations.
3. Madam Gan Chu Cheng passed away on 19 March 2020.

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 six months ended 31 January 2020 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 23 to the 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 January 2020, the following entity, 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)	Nature of interest/capacity	Approximate percentage of Interest
VS Berhad	1,000,109,963 (L)	Beneficial owner	43.34%

Note: The letter "L" represents the shareholder's long position interest in the shares of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Other Information

COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2020.

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

Johor Bahru, Malaysia
25 March 2020