



# 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 **2020/21**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Beh Kim Ling (*Chairman*)  
Gan Sem Yam (*Managing Director*)  
Beh Chern Wei (*Finance Director*)  
Zhang Pei Yu

### Non-executive Director

Gan Tiong Sia

### Independent non-executive Directors

Tang Sim Cheow  
Diong Tai Pew  
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

## 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  
183 Queen's Road East  
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 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  
1 Connaught Place  
Central, Hong Kong  
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  
Guangdong Province  
The People's Republic of China  
Tel. No: (86) 756 6295 888  
Fax No: (86) 756 3385 691/681

### Haivs Industry (Qingdao) Co., Ltd.

Qianwangang Road South  
Haier International Industrial Park  
Qingdao Economic and Technology Development Zone  
Huangdao District  
266510 Qingdao  
Shandong Province  
The People's Republic of China  
Tel. No: (86) 532 8676 2188  
Fax No: (86) 532 8676 2233

### Qingdao GP Precision Mold Co., Ltd.

Hetao Export Processing Zone  
Chengyang District  
266113 Qingdao  
Shandong Province  
The People's Republic of China  
Tel. No: (86) 532 8792 3666  
Fax No: (86) 532 8792 3660

## ASSOCIATED COMPANY

### 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 interim financial report of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 January 2021, which has been reviewed by the audit committee (“Audit Committee”) of the Board.

# Condensed Consolidated Income Statement

For the six months ended 31 January 2021

		<b>Unaudited</b>	
		<b>Six months ended 31 January</b>	
		<b>2021</b>	<b>2020</b>
Note		<b>RMB'000</b>	<b>RMB'000</b>
	<b>Revenue</b>	<b>140,794</b>	243,986
	Cost of sales	<b>(111,591)</b>	(216,425)
	<b>Gross profit</b>	<b>29,203</b>	27,561
	Other income – net	<b>2,830</b>	4,632
	Other (losses)/gains – net	<b>(5,185)</b>	581
	Distribution costs	<b>(3,164)</b>	(6,206)
	General and administrative expenses	<b>(26,650)</b>	(28,644)
	<b>Operating loss</b>	<b>(2,966)</b>	(2,076)
	Finance costs – net	<b>(3,973)</b>	(5,716)
	<b>Loss before income tax</b>	<b>(6,939)</b>	(7,792)
	Income tax credit/(expense)	<b>319</b>	(420)
	<b>Loss for the period attributable to owners of the Company</b>	<b>(6,620)</b>	(8,212)
	<b>Loss per share attributable to owners of the Company during the period (Renminbi cents)</b>		
	Basic and diluted	<b>(0.29)</b>	(0.36)

The notes on pages 11 to 33 are an integral part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2021

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Loss for the period	(6,620)	(8,212)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period attributable to owners of the Company	(6,620)	(8,212)

The notes on pages 11 to 33 are an integral part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Financial Position

At 31 January 2021

		Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10(a)	273,530	291,015
Right-of-use assets	10(b)	29,366	32,321
Other receivables and prepayments	13	365	6,295
Financial asset at fair value through other comprehensive income	11	4,000	4,000
Deferred income tax assets	7(b)	884	1,143
		<b>308,145</b>	334,774
<b>Current assets</b>			
Inventories	14	28,987	24,659
Contract assets	12	8,114	11,846
Trade and other receivables, deposits and prepayments	13	87,670	84,078
Amounts due from related parties	21(b)	2,980	8,313
Restricted bank balances	15	35,000	61,240
Cash and cash equivalents	16	49,334	104,430
		<b>212,085</b>	294,566
<b>Total assets</b>		<b>520,230</b>	629,340
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	17	105,013	105,013
Share premium		306,364	306,364
Other deficits		(61,283)	(54,663)
<b>Total equity attributable to owners of the Company</b>		<b>350,094</b>	356,714



# Condensed Consolidated Statement of Financial Position

At 31 January 2021

		Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from a director	21(d)	36,105	38,980
Lease liabilities	10(b)	-	215
Deferred income tax liabilities	7(b)	2,073	2,847
		<b>38,178</b>	42,042
<b>Current liabilities</b>			
Trade and other payables	19	68,487	94,185
Amounts due to related parties	21(c)	754	1,992
Borrowings	18	60,326	128,554
Lease liabilities	10(b)	2,324	5,759
Tax payable		67	94
		<b>131,958</b>	230,584
<b>Total liabilities</b>		<b>170,136</b>	272,626
<b>Total equity and liabilities</b>		<b>520,230</b>	629,340

The notes on pages 11 to 33 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 2021

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserve fund RMB'000	Financial asset at fair value through other comprehensive income reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>At 1 August 2019</b>	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)	-
<b>At 31 January 2020</b>	105,013	306,364	11,752	61,579	(3,298)	(98,284)	383,126
<b>At 1 August 2020</b>	105,013	306,364	11,752	61,723	(4,198)	(123,940)	356,714
Comprehensive loss							
Loss for the period	-	-	-	-	-	(6,620)	(6,620)
Total comprehensive loss for the period	-	-	-	-	-	(6,620)	(6,620)
Appropriation	-	-	-	136	-	(136)	-
<b>At 31 January 2021</b>	105,013	306,364	11,752	61,859	(4,198)	(130,696)	350,094

The notes on pages 11 to 33 are an integral part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2021

	Note	Unaudited	
		Six months ended 31 January	
		2021	2020
		RMB'000	RMB'000
<b>Cash flows used in operating activities</b>			
Cash used in operations		(10,475)	(10,958)
Income tax paid		(223)	(334)
<b>Net cash used in operating activities</b>		<b>(10,698)</b>	(11,292)
<b>Cash flows from investing activities</b>			
Payments for the purchase of property, plant and equipment		(1,757)	(6,749)
Proceeds from disposal of property, plant and equipment and right-of-use assets		6,970	1,630
Interest received		389	673
<b>Net cash generated from/(used in) investing activities</b>		<b>5,602</b>	(4,446)
<b>Cash flows from financing activities</b>			
Repayment of bank loans		(67,299)	(60,714)
Decrease in restricted bank balances		26,240	4,606
Increase in loans from a director		–	21,136
Proceeds from new bank loans		37,129	54,286
Net decrease in trust receipt loans		(27,815)	(5,410)
Principal and interest element of lease payment		(3,959)	(7,593)
Borrowing costs paid		(4,053)	(5,182)
<b>Net cash (used in)/generated from financing activities</b>		<b>(39,757)</b>	1,129
<b>Net decrease in cash and cash equivalents</b>		<b>(44,853)</b>	(14,609)
<b>Cash and cash equivalents at 1 August</b>		<b>94,187</b>	55,311
<b>Cash and cash equivalents at 31 January</b>	16	<b>49,334</b>	40,702

The notes on pages 11 to 33 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 2021 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 29 March 2021.

## 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 2021 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 2020, 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 2020.

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 2020, 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 2020:

Standards	Subject of amendment
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of the above new standards and amendments did not have any significant impact on the preparation of these interim condensed consolidated financial information.

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

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the Group's accounting periods beginning on or after 1 August 2020 and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, plant and equipment - proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts - cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	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.

# Notes to the Condensed Consolidated Interim Financial Information

## 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 2020.

There have been no changes in the risk management policies since 31 July 2020.

### 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 2021 and 31 July 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 January 2021</b>				
Financial assets at fair value through other comprehensive income	–	–	4,000	4,000
<b>As at 31 July 2020</b>				
Financial assets at fair value through other comprehensive income	–	–	4,000	4,000

There were no transfer of financial asset in the fair value hierarchy classifications for the period ended 31 January 2021.

# 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:

	<b>Unaudited</b>	
	<b>Six months ended 31 January</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>		
Plastic injection and moulding	<b>90,806</b>	100,039
Assembling of electronic products	<b>48,681</b>	129,255
Mould design and fabrication	<b>1,307</b>	14,692
	<b>140,794</b>	243,986
<b>Timing of revenue recognition</b>		
At a point in time	<b>99,250</b>	92,318
Over time	<b>41,544</b>	151,668
	<b>140,794</b>	243,986

# 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 31 January:</b>								
Revenue from external customers	90,806	100,039	48,681	129,255	1,307	14,692	140,794	243,986
Reportable segment result	22,523	6,132	4,776	16,166	228	2,211	27,527	24,509
Additions to non-current segment assets during the period	27	1,634	53	1,279	-	247	80	3,160
<b>At 31 January/31 July:</b>								
Reportable segment assets	215,970	220,838	50,630	60,110	22,398	22,421	288,998	303,369
Reportable segment liabilities	27,329	32,479	30,672	48,353	900	1,313	58,901	82,145



# 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	
	2021	2020
	RMB'000	RMB'000
<b>Revenue</b>		
Reportable segment revenue	140,794	243,986
Consolidated revenue	140,794	243,986
<b>Profit or loss</b>		
Reportable segment profit	27,527	24,509
Finance costs – net (note 6(a))	(3,973)	(5,716)
Unallocated depreciation and amortisation	(5,074)	(4,826)
Unallocated operating income and expenses	(25,419)	(21,759)
Loss before income tax	(6,939)	(7,792)

	Unaudited	Audited
	At 31 January	At 31 July
	2021	2020
	RMB'000	RMB'000
<b>Assets</b>		
Reportable segment assets	288,998	303,369
Financial asset at fair value through other comprehensive income	4,000	4,000
Deferred income tax assets	884	1,143
Unallocated head office and corporate assets	226,348	320,828
Consolidated total assets	520,230	629,340
<b>Liabilities</b>		
Reportable segment liabilities	58,901	82,145
Deferred income tax liabilities	2,073	2,847
Unallocated head office and corporate liabilities	109,162	187,634
Consolidated total liabilities	170,136	272,626

# 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	
	2021	2020
	RMB'000	RMB'000
Mainland China	86,077	101,495
Europe	31,356	6,616
Hong Kong	11,483	12,451
United States of America	6,681	107,729
South East Asia	5,197	14,264
Others	-	1,431
	<b>140,794</b>	<b>243,986</b>

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 (2020: three) customers with whom transactions have individually exceeded 10% of the Group's aggregate revenue for the six months ended 31 January 2021.

Those customers individually contributed 32%, 28% and 20% of the Group's revenue (2020: 38%, 16% and 11%), respectively.

## 5 OTHER (LOSSES)/GAINS - NET

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Net foreign exchange (loss)/gain	(2,921)	445
(Loss)/gain on disposal of property, plant and equipment and right-of-use assets	(2,264)	136
	<b>(5,185)</b>	<b>581</b>

# 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	
	2021	2020
	RMB'000	RMB'000
Interest income from bank deposits	(389)	(673)
Interest on bank borrowings repayable within five years	3,868	5,116
Interest on lease liabilities	309	1,207
Less: borrowing costs capitalised as construction-in-progress	(27)	(135)
Other finance charges	212	201
	4,362	6,389
Finance costs - net	3,973	5,716

### (b) Other items

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
Cost of sales	111,591	216,425
Depreciation on property, plant and equipment	13,105	15,973
Depreciation on right-of-use assets	1,842	1,303
Expenses relating to short-term leases	857	2,506
Loss allowance on trade receivables	218	933
Reversal of loss allowance on contract assets	1	-

# Notes to the Condensed Consolidated Interim Financial Information

## 7 INCOME TAX (CREDIT)/EXPENSE

### (a) Income tax (credit)/expense

	Unaudited	
	Six months ended 31 January	
	2021	2020
	RMB'000	RMB'000
<b>Current income tax</b>		
PRC corporate income tax	196	75
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	(515)	345
	<b>(319)</b>	420

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 2021 and 2020.

The Group's subsidiaries established in the PRC are subject to a corporate income tax rate of 25%, except for two subsidiaries. One of which is fully exempt from corporate income tax in the PRC for the first three years starting from 1 January 2015 to 31 December 2017 after obtaining the concession, following by a 50% tax exemption for the next three years. The other one subsidiary was certified as High and New Technology Enterprises and is entitled to a concessionary tax rate of 15% from 1 January 2018 to 31 December 2020, 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 in the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008 onwards.

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

# Notes to the Condensed Consolidated Interim Financial Information

## 7 INCOME TAX (CREDIT)/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 PRC subsidiaries*

	<b>Unaudited</b>	
	<b>Six months ended 31 January</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of the period	(2,847)	(1,721)
Credited/(charged) to the income statement	774	(194)
At end of the period	<b>(2,073)</b>	<b>(1,915)</b>

*Deferred income tax assets – provisions*

	<b>Unaudited</b>	
	<b>Six months ended 31 January</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
At beginning of the period	1,143	314
Charged to the income statement	(259)	(151)
At end of the period	<b>884</b>	<b>163</b>

# 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 RMB6,620,000 (2020: RMB8,212,000) 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	
	2021	2020
Loss attributable to owners of the Company ( <i>RMB'000</i> )	(6,620)	(8,212)
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> )	(0.29)	(0.36)

For the six months ended 31 January 2021 and 2020, 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 2021 and 2020.

### (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
<b>Cost</b>		
Opening balance at 1 August 2019	1,090,584	20,313
Changes in accounting policies	(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	–
<b>Accumulated depreciation and amortisation</b>		
Opening balance at 1 August 2019	713,769	6,965
Changes in accounting policies	(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	–
<b>Net book value</b>		
At 31 January 2020 (Unaudited)	326,459	–
At 31 July 2019 (Audited)	376,815	13,348
<b>Cost</b>		
Opening balance at 1 August 2020	899,761	–
Additions	80	–
Disposals	(28,344)	–
At 31 January 2021	871,497	–
<b>Accumulated depreciation and amortisation</b>		
Opening balance at 1 August 2020	608,746	–
Charge for the period	13,105	–
Written back on disposals	(23,634)	–
Reversal of impairment	(250)	–
At 31 January 2021	597,967	–
<b>Net book value</b>		
At 31 January 2021 (Unaudited)	273,530	–
At 31 July 2020 (Audited)	291,015	–

# 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 January 2021 and 31 July 2020, none of right-of-use assets, property, plant and equipment have been pledged as security for its trade finances, overdraft and bank loans.

### (b) Leases

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

	At 31 January 2021 RMB'000	At 31 July 2020 RMB'000
<b>Right-of-use assets</b>		
Land use rights	12,743	12,945
Machineries	16,623	19,376
	<b>29,366</b>	<b>32,321</b>
<b>Lease liabilities</b>		
Current	2,324	5,759
Non-current	-	215
	<b>2,324</b>	<b>5,974</b>

There was no addition of right-of-use assets during the six months ended 31 January 2021.

#### (ii) Amounts recognised in the condensed consolidated income statement

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

		Unaudited Six months ended 31 January 2021 RMB'000	2020 RMB'000
Depreciation of right-of-use assets	6(b)	1,842	1,303
Interest on lease liabilities	6(a)	309	1,207
Expenses relating to short-term leases	6(b)	857	2,506
		<b>3,008</b>	<b>5,016</b>

The total cash outflow for leases for the six months ended 31 January 2021 was RMB4,816,000.



# 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:

	<b>Unaudited</b> <b>At 31 January</b> <b>2021</b> <b>RMB'000</b>	Audited At 31 July 2020 RMB'000
At beginning of the period	4,000	4,900
Change in value on fair value through other comprehensive income	-	(900)
At end of the period	<b>4,000</b>	4,000

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 discount rate. The lower the discount rate, 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 2021 RMB'000	Audited At 31 July 2020 RMB'000
Contract assets – gross	8,117	11,850
Less: Loss allowance	(3)	(4)
Contract assets – net	<b>8,114</b>	11,846

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 2021 RMB'000	Audited At 31 July 2020 RMB'000
Trade receivables	61,320	63,260
Bills receivables	100	3,710
Trade and bills receivables – gross	61,420	66,970
Less: Loss allowance	(1,734)	(1,516)
Trade and bills receivables – net	59,686	65,454
Other receivables, deposits and prepayments	62,349	58,919
Less: Loss allowance (Note)	(34,000)	(34,000)
Other receivables, deposits and prepayments – net	28,349	24,919
Less: Other receivables and prepayments (non-current)	(365)	(6,295)
Total trade and other receivables, deposits and prepayments (current)	<b>87,670</b>	84,078

# 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 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 2021 and 31 July 2020. The Group has commenced legal proceedings against the Vendor to claim for the full refund of Deposits and the relevant interests, and such case will be put on trial on 16 November 2021.

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

	<b>Unaudited</b> <b>At 31 January</b> <b>2021</b> <b>RMB'000</b>	Audited At 31 July 2020 RMB'000
Up to 3 months	<b>54,679</b>	64,632
3 to 6 months	<b>5,823</b>	766
Over 6 months	<b>918</b>	1,572
	<b>61,420</b>	66,970

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:

	<b>Unaudited</b> <b>At 31 January</b> <b>2021</b> <b>RMB'000</b>	Audited At 31 July 2020 RMB'000
Raw materials	16,576	11,709
Work-in-progress	2,839	3,644
Finished goods	9,572	9,306
	<b>28,987</b>	<b>24,659</b>

## 15 RESTRICTED BANK BALANCES

	<b>Unaudited</b> <b>At 31 January</b> <b>2021</b> <b>RMB'000</b>	Audited At 31 July 2020 RMB'000
Pledged deposits with banks (Note)	<b>35,000</b>	61,240

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 2021 RMB'000	Audited At 31 July 2020 RMB'000
Cash and cash equivalents	49,334	104,430
Bank overdrafts (note 18)	-	(10,243)
Cash and cash equivalents in the condensed consolidated statement of cash flows	<b>49,334</b>	<b>94,187</b>

## 17 SHARE CAPITAL

Authorised and issued share capital

	Unaudited At 31 January 2021		Audited At 31 July 2020	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.05 each	4,000,000	200,000	4,000,000	200,000
<b>Issued and fully paid:</b>				
At 1 August 2019, 31 July 2020 and 31 January 2021	<b>2,307,513</b>	<b>105,013</b>	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 2021 RMB'000	Audited At 31 July 2020 RMB'000
<b>Current</b>		
Short-term bank borrowings, secured	37,129	67,299
Bank overdrafts, secured	–	10,243
Trust receipts bank loans, secured	23,197	51,012
Total borrowings	<b>60,326</b>	128,554

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

	Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
Trade receivables	30,887	28,358
Restricted bank deposits	35,000	61,240
	<b>65,887</b>	89,598

The Group's secured banking facilities, including trade finance, overdrafts and bank loans, totalling RMB129,418,000 (31 July 2020: RMB305,236,000), were utilised to the extent of RMB60,326,000 (31 July 2020: RMB128,554,000). There were no unsecured banking facilities as at 31 January 2021 and 31 July 2020.

# Notes to the Condensed Consolidated Interim Financial Information

## 19 TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>At 31 January</b> <b>2021</b> <b>RMB'000</b>	Audited At 31 July 2020 RMB'000
Trade payables	<b>32,521</b>	58,107
Accrued expenses and other payables	<b>28,321</b>	26,488
Payables for the purchase of property, plant and equipment	<b>333</b>	2,340
Contract liabilities (Note)	<b>7,187</b>	7,125
Deposits received	<b>125</b>	125
Trade and other payables	<b>68,487</b>	94,185

Note: Contract liabilities include receipts in advance from customers. All of contract liabilities are expected to be recognised as revenue within one year.

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

	<b>Unaudited</b> <b>At 31 January</b> <b>2021</b> <b>RMB'000</b>	Audited At 31 July 2020 RMB'000
Less than 1 month	<b>12,798</b>	13,209
1 to 3 months	<b>16,314</b>	32,055
More than 3 months	<b>3,409</b>	12,843
	<b>32,521</b>	58,107

## 20 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.

# Notes to the Condensed Consolidated Interim Financial Information

## 20 SHARE OPTION SCHEME (CONTINUED)

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.

As at 31 January 2021 and 31 July 2020, there was no outstanding shares option granted.

## 21 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 2021, the Group entered into the following significant related party transactions:

	Unaudited	
	2021	2020
	RMB'000	RMB'000
Sales to the ultimate holding company	–	962
Sales of machineries to the ultimate holding company	1,405	–
Expense relating to leases paid and payable to a company controlled by a director	731	2,455
Sub-contracting fee paid and payable to a company controlled by a family member of a director	819	2,450
Repair and maintenance services paid and payable to a company controlled by a family member of a director	72	500

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

## 21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
Amount due from a company controlled by a director	774	658
Amount due from a company controlled by a family member of a director	801	5,930
Amount due from the ultimate holding company	1,405	–
Amount due from an associate (Note)	–	1,725
	<b>2,980</b>	<b>8,313</b>

As at 31 January 2021, amounts due from related parties other than a company controlled by a family member of a director are interest-free, unsecured and repayable on demand.

Note:

As at 31 July 2020, the entire amount due from an associate and RMB864,000 included in amount due from a company controlled by a family member of a director arise from trading transactions which are interest-free and unsecured. An aging analysis based on invoice date is as follows:

	Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
Up to 3 months	–	2,589
Over 6 months	801	–
	<b>801</b>	<b>2,589</b>

# Notes to the Condensed Consolidated Interim Financial Information

## 21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited At 31 January 2021 RMB'000	Audited At 31 July 2020 RMB'000
Amounts due to directors	594	631
Amounts due to companies controlled by family member of directors	160	1,361
	<b>754</b>	<b>1,992</b>

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

(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 2021 RMB'000	Audited At 31 July 2020 RMB'000
Repayable after one year but within two years	-	38,980
Repayable after two years but within three years	<b>36,105</b>	-

# 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 RMB140.79 million, representing a significant decrease of RMB103.20 million or 42.30% as compared to RMB243.99 million for the corresponding period in 2020. Gross profit for the period increased from RMB27.56 million for the corresponding period in 2020 to RMB29.20 million. The gross profit margin raised from 11.30% to 20.74%. The decrease in revenue and increase in gross profit margin were mainly due to the Group implemented its strategies to focus on the higher value-added products and profitable customers.

The Group's operating expenses, composed of distribution costs and general and administrative expenses, decreased from RMB34.85 million to RMB29.81 million, a decrease of RMB5.04 million as compared to the corresponding period in 2020. The Group recorded a loss of RMB6.62 million as compared to RMB8.21 million in the corresponding period ended 31 January 2020.

### Plastic injection and moulding business

The Group recorded a revenue of RMB90.80 million for this segment as compared to RMB100.04 million for the corresponding period in 2020, representing a decrease of RMB9.24 million or 9.24%.

### Assembling of electronic products business

This segment recorded a revenue of RMB48.68 million, representing a significant decrease of RMB80.58 million or 62.34% from RMB129.26 million for the corresponding period in 2020. The significant drop in revenue was mainly due to a decrease in the sales orders caused by current cautious business and economic environment.

### Mould design and fabrication business

The mould design and fabrication segment recorded a revenue of RMB1.31 million, representing a significant decrease of RMB13.38 million or 91.08% as compared to RMB14.69 million for the corresponding period in 2020 due to the decrease in the sales orders by the existing customers.

### Distribution costs

Distribution costs amounted to RMB3.16 million, representing a decrease of RMB3.05 million or 49.11% as compared to RMB6.21 million in the corresponding period ended 31 January 2020. 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 RMB26.65 million, representing a decrease of RMB1.99 million or 6.95% as compared to RMB28.64 million for the corresponding period in 2020. The decrease was primarily due to lower research and development expenses of RMB1.30 million during the period.

## Other (losses)/gains – net

During the period, the Group recorded other net losses of RMB5.18 million as compared to net gains of RMB0.58 million for the corresponding period in 2020, which comprised mainly net loss on disposal of property, plant and equipment and right-of-use assets of RMB2.26 million and net foreign exchange loss of RMB2.92 million.

## Finance costs – net

The net finance costs for the period decreased by 30.59% or RMB1.75 million from RMB5.72 million for the corresponding period in 2020 to RMB3.97 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 2021 (2020: 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 and reduction in economic activities. The pandemic has hit various industries and created significant uncertainty in the global business environment.

The Group will continue to streamline its operation and formulate a stronger financial position with a light asset operation and lower geared structure and higher liquidity. By way of adopting a light assets and cost model, the Group will be able to improve its operational flexibility, reduce its debts and minimise the adverse impact of the pandemic on the business operation. In addition, the Group will continue to focus on the realignment of its US-based sales to non-US-based sales due to the continuing trade war between the United States (“US”) and China.

## 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 and lease liabilities. As at 31 January 2021, the Group had cash and cash equivalents and restricted bank balances of RMB84.33 million (31 July 2020: RMB165.67 million), of which RMB35.00 million (31 July 2020: RMB61.24 million) was pledged to banks for the facilities granted to the Group. 30.26%, 68.92% and 0.81% 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 2021, the Group had outstanding interest-bearing borrowings including lease liabilities and loans from a director of RMB98.76 million (31 July 2020: RMB173.51 million). The total borrowings including lease liabilities and loans from a director were denominated in USD (19.66%), RMB (63.44%) and HK\$ (16.90%), and the maturity profile is as follows:

	As at 31 January 2021		As at 31 July 2020	
	RMB million (Unaudited)	%	RMB million (Audited)	%
<b>Repayable</b>				
Within one year	62.65	63.44%	134.31	77.41
After one year but within two years	–	–	39.20	22.59
After two years but within three years	36.11	36.56%	–	–
Total borrowings including lease liabilities and loans from a director	98.76	100.00	173.51	100.00
Cash and cash equivalents and restricted bank balances	(84.33)		(165.67)	
Net borrowings including lease liabilities and loans from a director	14.43		7.84	

As at 31 January 2021, the Group's net current assets were RMB80.13 million (31 July 2020: RMB63.98 million). As at 31 January 2021, the Group has undrawn bank facilities of RMB69.09 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 2021 was 2.77% (31 July 2020: 1.25%).

# Other Information

## CHARGES ON GROUP ASSETS

As at 31 January 2021, certain assets of the Group with an aggregate carrying value of RMB65.89 million (31 July 2020: RMB89.60 million) were pledged to secure loan and trade financing facilities for the Group.

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

The Group did not conduct any significant investments, material acquisitions or disposals. The Group has been streamlining its operation over the years with an aim to improve the Group's financial position by adopting a light asset operation and lower geared structure and higher liquidity. As at the date of this interim 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 2021.

## 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 loss of RMB2.92 million (2020: net gain of RMB0.44 million) mainly due to the unrealised and realised foreign exchange loss.

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.

At 31 January 2021, if RMB had weakened/strengthened by 5% against US\$, with all other variables held constant, post-tax loss for the period would have been approximately RMB1,324,000 lower/higher (2020: post-tax loss for the period would have been approximately RMB1,359,000 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)**

At 31 January 2021, 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 RMB672,000 higher/lower (2020: post-tax loss for the period would have been approximately RMB1,105,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of financial assets and liabilities denominated in currencies other than the functional currency of the respective group entities.

The Group will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 January 2021, the Group had a total of 578 employees (31 July 2020: 935). 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 RMB34.58 million (2020: RMB59.38 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**

There were no other significant events affecting the Company nor any of its subsidiaries after the reporting period as at 31 January 2021 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 2021 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 2021, 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	134,888,493 ordinary shares (L)	7.17%

## 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	83,466,377 ordinary shares (L)	4.44%
Zhang Pei Yu	The Company	Beneficial owner	2,000 Shares (L)	0.00%
Beh Chern Wei	The Company	Beneficial owner	37,111,960 Shares (L)	1.61%
	VSHK	Beneficial owner	1,250,000 non-voting deferred shares of HK\$1 each (L)	1.67%
	VS Berhad	Beneficial owner	68,209,375 ordinary shares (L)	3.63%

## 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	31,568,037 ordinary shares (L)	1.68%
Diong Tai Pew	The Company	Beneficial owner	1,766,411 Shares (L)	0.08%
Tang Sim Cheow	The Company	Beneficial owner	639,130 Shares (L)	0.03%
	VS Berhad	Beneficial owner	100,000 ordinary shares (L)	0.01%

## 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 brother-in-law of Mr. Gan Sem Yam and Mr. Gan Tiong Sia. Mr. Beh Chern Wei is the son of Mr. Beh Kim Ling 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.

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 2021 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 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 2021, 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.

# Other Information

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

## COMPLIANCE WITH APPENDIX 10 TO THE LISTING RULES

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

The Company, having made specific enquiry on all Directors, is not aware of any non-compliance by any Director during the period with the SD Code and Appendix 10 to the Listing Rules throughout the six months period ended 31 January 2021.

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

Johor Bahru, Malaysia  
29 March 2021